



**TSA GROUP BERHAD**

(Registration No. 202201010003 (1455700-A))  
(Incorporated in Malaysia under the Companies Act 2016)

**Interim Financial Report  
For the Third Quarter  
Ended 30 September 2023**

**TSA GROUP BERHAD**

202201010003 (1455700-A)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023<sup>(1)</sup>**

	Note	Individual Quarter		Cumulative Quarter	
		30 September		30 September	
		2023 RM '000	2022 <sup>(2)</sup> RM '000	2023 RM '000	2022 <sup>(2)</sup> RM '000
Revenue	A8	83,546	N/A	249,557	N/A
Cost of sales		(69,535)	N/A	(203,262)	N/A
Gross profit ("GP")		14,011	N/A	46,295	N/A
Net other income/(expenses)		1,467	N/A	(563)	N/A
Administrative expenses		(4,255)	N/A	(14,980)	N/A
Distribution expenses		(2,578)	N/A	(9,826)	N/A
Finance costs		(1,714)	N/A	(3,736)	N/A
Net reversal of impairment losses/(impairment loss) on impairment of financial assets		4	N/A	(46)	N/A
Profit before tax ("PBT")		6,935	N/A	17,144	N/A
Tax expense	B5	(2,219)	N/A	(4,946)	N/A
<b>Profit after tax ("PAT")</b>		<b>4,716</b>	<b>N/A</b>	<b>12,198</b>	<b>N/A</b>
<b>Other comprehensive income</b>					
<u>Item that will be reclassified subsequently to profit and loss</u>					
Foreign currency translation differences		21	N/A	640	N/A
<b>Total Comprehensive income</b>		<b>4,737</b>	<b>N/A</b>	<b>12,838</b>	<b>N/A</b>

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(Incorporated in Malaysia)

## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023<sup>(1)</sup> (CONTINUED)

	Note	Individual Quarter		Cumulative Quarter	
		30 September		30 September	
		2023	2022 <sup>(2)</sup>	2023	2022 <sup>(2)</sup>
		RM '000	RM '000	RM '000	RM '000
<b>Profit after tax attributable to :</b>					
- Owners of the Company		4,581	N/A	11,552	N/A
- Non-controlling interests		135	N/A	646	N/A
		<b>4,716</b>	<b>N/A</b>	<b>12,198</b>	<b>N/A</b>
<b>Total comprehensive income attributed to :</b>					
- Owners of the Company		4,598	N/A	12,065	N/A
- Non-controlling interest		139	N/A	773	N/A
		<b>4,737</b>	<b>N/A</b>	<b>12,838</b>	<b>N/A</b>
Earnings per share (RM)					
Basic /Diluted <sup>(3)</sup>	B13	0.92	N/A	2.31	N/A

#### Notes:

- (1) The basis of preparation of Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive income are disclosed in Note A1 and should be read in conjunction with the Accountant's Report as disclosed in the prospectus dated 27 December 2023 ("Prospectus") issued in relation to the Initial Public Offering ("IPO") and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report for the third quarter ended 30 September 2023 announced in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").
- (3) The basic and diluted earnings per share of the Company is computed based on PAT attributable to the owners of the Company divided by the number of ordinary shares before the IPO of the Company. The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

N/A – Not applicable

# TSA GROUP BERHAD

202201010003 (1455700-A)

(Incorporated in Malaysia)

## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 <sup>(1)</sup>

		30.09.2023	31.12.2022
		RM '000	RM '000
	Note	(Unaudited)	(Audited)
<b>Non-current assets</b>			
Property, plant and equipment		40,412	34,545
Right-of-use assets		15,909	13,669
Deferred tax assets		993	1,355
<b>Total non-current assets</b>		<b>57,314</b>	<b>49,569</b>
<b>Current assets</b>			
Inventories		85,026	82,627
Trade receivables		73,428	61,294
Other receivables, deposit and prepayment		9,067	15,796
Amount owing by a related party		71	112
Current tax assets		1,926	1
Derivative assets	B10	1,291	-
Fixed deposit with a licensed bank		553	544
Cash and bank balances		26,952	31,423
<b>Total current assets</b>		<b>198,314</b>	<b>191,797</b>
<b>Total assets</b>		<b>255,628</b>	<b>241,366</b>
<b>Equity</b>			
Share capital		5,000	5,000
Reserves		134,794	142,729
		139,794	147,729
Non-controlling interests		3,083	2,310
<b>Total equity</b>		<b>142,877</b>	<b>150,039</b>
<b>Non-current liabilities</b>			
Lease liabilities		1,637	265
Borrowings	B9	9,626	10,655
Deferred tax liabilities		1,350	1,350
<b>Total non-current liabilities</b>		<b>12,613</b>	<b>12,270</b>

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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### UNAUDITED COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONTINUED) <sup>(1)</sup>

		30.09.2023	31.12.2022
		RM '000	RM '000
	Note	(Unaudited)	(Audited)
<b>Current Liabilities</b>			
Trade payables		8,266	13,100
Other payables and accruals		6,118	8,452
Amount owing to directors		335	1,179
Current tax liabilities		675	1,815
Lease liabilities		1,447	420
Borrowings	B9	83,297	54,091
<b>Total current liabilities</b>		<b>100,138</b>	<b>79,057</b>
<b>Total liabilities</b>		<b>112,751</b>	<b>91,327</b>
<b>Total equity and liabilities</b>		<b>255,628</b>	<b>241,366</b>
<b>Number of ordinary shares ('000)</b>		<b>5,001</b>	<b>5,001</b>
<b>Net assets per ordinary share attributable to owners of the Company (RM)<sup>(2)</sup></b>		<b>27.95</b>	<b>29.54</b>

#### Notes:

(1) The Unaudited Condensed Consolidated Statement of Financial Position is disclosed in Note A1 and should be read in conjunction with the Accountant's Report as disclosed in the Prospectus issued in relation to the IPO and the accompanying explanatory notes attached to this interim financial report.

(2) The net assets per ordinary share attributable to owners of the Company is computed based on the net assets attributable to owners of the Company divided by the number of ordinary shares before the IPO of the Company.

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# TSA GROUP BERHAD

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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023<sup>(1)</sup>

	Share capital RM '000	Translation Reserve RM '000	Retained Profits RM '000	Attributable Owners of the Company RM '000	Non- controlling interests RM '000	Total Equity RM '000
As 1 January 2023	5,000	788	141,941	147,729	2,310	150,039
Profit after taxation for the financial period	-	-	11,552	11,552	646	12,198
Other comprehensive income for financial period						
- Foreign currency translation differences	-	513	-	513	127	640
Total comprehensive income for financial period	-	513	11,552	12,065	773	12,838
Distribution to owners of the Company:						
Dividends:						
-by the Company	-	-	(20,000)	(20,000)	-	(20,000)
As at 30 September 2023	5,000	1,301	133,493	139,794	3,083	142,877

**Note:**

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report for the third quarter ended 30 September 2023 of the Company announced in compliance with the Listing Requirements.

**TSA GROUP BERHAD**

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(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30  
SEPTEMBER 2023****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE  
THIRD QUARTER ENDED 30 SEPTEMBER 2023 <sup>(1)</sup>**

	9-months ended 30 September 2023 RM '000	9-months ended 30 September 2022 <sup>(2)</sup> RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation:	17,144	N/A
Adjustments for:		
Depreciation:		
- Property, plant and equipment	1,490	N/A
- Right-of-use assets	905	N/A
Impairment losses on:		
- Trade receivables	46	N/A
Interest expenses	3,736	N/A
Property, plant and equipment written off	41	N/A
Bad debts recovered	(76)	N/A
Gain on disposal of property, plant and equipment	(6)	N/A
Interest income	(398)	N/A
Inventories written back	(162)	N/A
Reversal of impairment losses on:		
- Trade receivables	(9)	N/A
Unrealized loss on foreign exchange	3,032	N/A
Unrealized gain on derivatives	(1,291)	N/A
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>24,452</b>	<b>N/A</b>
Increase in inventories	(1,600)	N/A
Increase in trade and other receivables	(3,951)	N/A
Decrease in trade and other payables	(7,363)	N/A
Decrease in amount owing by related parties	41	N/A
<b>OPERATING PROFIT AFTER WORKING CAPITAL CHANGES</b>	<b>11,579</b>	<b>N/A</b>
Interest paid	(3,738)	N/A
Interest received	387	N/A
Income tax paid	(7,683)	N/A
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>545</b>	<b>N/A</b>

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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### UNAUDITED COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRDQUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED) <sup>(1)</sup>

	9-months ended 30 September 2023 RM '000	9-months ended 30 September <sup>(2)</sup> 2022 RM '000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property, plant and equipment	(7,379)	N/A
Proceeds from disposal of Property, plant and equipment	6	N/A
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(7,373)</b>	<b>N/A</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(20,000)	N/A
Repayment of lease liabilities	(751)	N/A
Net repayment of hire purchases	(180)	N/A
Net repayment of term loans	(901)	N/A
Net drawdown of onshore foreign currency loan	27,626	N/A
Net repayment of structured and trade commodity financing	(579)	N/A
Net repayment of banker's acceptances	(1,372)	N/A
Net repayment to directors	(844)	N/A
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>2,999</b>	<b>N/A</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,829)	N/A
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(642)	N/A
CASH AND CASH EQUIVALENTS AT JANUARY 2023	31,423	N/A
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>26,952</b>	<b>N/A</b>

#### Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Accountant's Report as disclosed in the Prospectus issued in relation to the IPO and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report for the third quarter ended 30 September 2023 of the Company announced in compliance with the Listing Requirements.

N/A – Not applicable



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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### PART A: SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO 134 – INTERIM FINANCIAL REPORTING

#### A1. Basis of preparation

The interim financial report of TSA Group Berhad (“**Company**”) and its subsidiaries (“**Group**”) is unaudited and have been prepared in accordance with the applicable disclosure provisions of Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”) and in compliance with Malaysian Financial Reporting Standard “MFRS 134, *Interim Financial Reporting*”.

This interim financial report does not include all the information required for the full annual audited financial statements and should be read in conjunction with the Accountant’s Report as disclosed in the Prospectus issued in relation to the IPO and the accompanying explanatory notes attached to this interim financial report.

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (“**MFRS**”), International Financial Reporting Standards (“**IFRS**”) and the requirements of the Companies Act 2016 in Malaysia.

During the financial period the Group has adopted the following interpretations and amendments issued by the Malaysian Accounting Standard Board (“**MASB**”) which becomes effective for the annual period beginning on or after 1 January 2023.

#### **MFRSs and/or IC Interpretations (Including the Consequential Amendments)**

	<b>Effective Date</b>
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules	1 January 2023

The adoption of the above accounting standards and/or interpretations (including the consequential amendments if any) did not have any material impact on the Group’s financial statements.

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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### PART A: SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO 134 – INTERIM FINANCIAL REPORTING (CONTINUED)

#### A1. Basis of preparation (continued)

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year period ended 30 September 2023:-

<b>MFRSs and/or IC Interpretations (Including the Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7 Supplier Finance Arrangements	1 January 2024
Amendments on MFRS 121: Lack of Exchangeability	1 January 2025

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

#### A2. Auditors’ Report on preceding Annual Financial Statements

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2022.

#### A3. Seasonal or cyclical factors

The business operation of the Group has not been materially affected by any unusual seasonal or cyclical factors.

#### A4. Unusual and material items

There were no unusual and material items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and the financial period under review.

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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### PART A: SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO 134 – INTERIM FINANCIAL REPORTING (CONTINUED)

#### A5. Material changes in estimates

There were no material changes in estimates that have a material effect on the results for the current quarter and the financial period under review.

#### A6. Debt and equity securities

Saved as disclosed in Note A13 below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter and the financial period under review.

#### A7. Dividend

On 29 March 2023, the Board of Directors of TSA Industries Sdn Bhd (“TSA Industries”) declared an interim dividend of RM4.00 per ordinary share amounting to RM20 million (based on issued share capital of 5,000,000 shares) in respect of the financial year ended 31 December 2022. Such dividend is accounted for in equity as an appropriation of retained profit in the financial year ending 31 December 2023.

#### A8. Segment Reporting

The Group operates predominantly in one business segment i.e. trading in stainless steel and other metal products; and manufacturing of stainless steel pipes. Accordingly, the information by business segment is not presented.

#### Geographical Market

The following table provides an analysis of the Group’s revenue by geographical segment:

	Individual Quarter 30 September 2023 RM’000	Cumulative Quarter 30 September 2023 RM’000
Revenue		
-Malaysia	67,714	201,006
-Outside Malaysia	15,832	48,551
	<u>83,546</u>	<u>249,557</u>

#### Note:-

There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report of the Company for the third quarter ended 30 September 2023 announced in compliance with the Listing Requirements.

## **TSA GROUP BERHAD**

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### **INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

#### **PART A: SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO 134 – INTERIM FINANCIAL REPORTING (CONTINUED)**

##### **A9. Contingent liabilities and contingent assets**

###### **a) Contingent assets**

In 2017, TSA Industries, a wholly-owned subsidiary of the Company, initiated legal proceeding against 5 individuals and a financial institution for the unauthorised transfers of monies for the sum of approximately RM31.8 million from a TSA Industries’ bank account.

On 9 December 2022, the decision of the civil suit was given by the High Court, among others:

- to dismiss TSA Industries’ claim against the Sixth Defendant with a cost of RM150,000 to be paid by TSA Industries; and
- to award a judgment sum of RM31.8 million to be paid by the First to Fifth Defendants to TSA Industries.

On 27 December 2022, TSA Industries filed an appeal to the Court of Appeal against the High Court’s dismissal of the claim. The appeal fixed for hearing on 4 March 2024 was vacated on 19 January 2024. The next case management is scheduled for 31 January 2024 to fix a new hearing date for the appeal.

On 27 January 2023, TSA Industries has made payment of RM150,000 as costs to the Sixth Defendant.

Based on advice from the legal counsel, the prospects of success of the said appeal as it stands are fair to reasonable.

TSA Industries has subsequently engaged another solicitor to file an originating summons application against 2 of the individuals and 4 banks where they maintained accounts with.

During the case management on 16 January 2024, the judge directed TSA Industries to file an application in the Bankruptcy Court for leave to commence an action against the Second Defendant in the High Court as he is an undischarged bankrupt. TSA Industries’ originating summons application will be put on hold pending its leave application in the Bankruptcy Court.

The case management in the High Court is fixed for 25 March 2024 to update the High Court on TSA Industries’ leave application in the Bankruptcy Court.

###### **b) Contingent liability**

The Group is not aware of any material and/or indirect contingent liabilities that may be incurred by our Group that may have a material impact on its financial position.

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### INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

#### PART A: SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO 134 – INTERIM FINANCIAL REPORTING (CONTINUED)

##### A10. Capital commitments

	30 September 2023
Approved and contracted for	RM’000
Purchase of machineries	17,303
Contracted consultant	<u>308</u>
	<u>17,611</u>

##### A11. Significant related party transactions

The significant related party transactions with the Group in which certain Directors/shareholders have interest are as shown below:

	Individual Quarter 30 September		Cumulative Quarter 30 September	
	2023	2022 <sup>(1)</sup>	2023	2022 <sup>(1)</sup>
	RM’000	RM’000	RM’000	RM’000
Sales	121	N/A	296	N/A
Purchase	7	N/A	66	N/A
Rental expenses	4	N/A	11	N/A

**Note:**

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report of the Company for the third quarter ended 30 September 2023 announced in compliance with the Listing Requirements.

N/A – Not applicable

##### A12. Fair value of financial liabilities

There was no gain or loss arising from fair value changes of the Group's financial liabilities as the financial liabilities are not carried at fair value for the current quarter and financial period under review.

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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### PART A: SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO 134 – INTERIM FINANCIAL REPORTING (CONTINUED)

#### A13. Material events subsequent to the end of the reporting period

On 18 October 2023, the Board of Directors of TSA Industries declared an interim single-tier dividend of RM1.00 per ordinary share amounting RM5,000,000 (based on issued share capital of 5,000,000 shares) for the financial year ending 31 December 2023 and paid on 30 October 2023.

On 31 October 2023, the Company completed the acquisition of the entire equity interest of TSA Industries comprising 5,000,000 ordinary shares for a total purchase consideration of RM120,000,150.20, which was satisfied entirely by the issuance of 231,974,000 new ordinary shares in TSA Industries at an issue price of RM0.5173 each.

In conjunction with the Company's listing on the ACE Market of Bursa Securities, the Company had on 27 December 2023 issued the Prospectus for its IPO comprising the Public Issue of 77,325,000 ordinary shares in TSA (“**Shares**”) at an issue price of RM0.55 per Share, payable in full upon application, in the following manner:

- (a) 15,465,000 Shares available for application by the Malaysian public;
- (b) 15,465,000 Shares available for application by the eligible employee(s) of the Group;
- (c) 38,662,500 Shares by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry (“**MITI**”); and
- (d) 7,732,500 Shares by way of private placement to selected investors.

Upon the completion of the IPO, the issued share capital of the Company will increase to RM162,529,000 (prior to deduction of listing expenses) comprising 309,300,000 Shares.

The listing exercise is still pending completion as the Company is expected to be listed on 2 Feb 2024.

#### A14 Property plant and equipment

The Group acquired property plant and equipment amounting RM7,379,350 during the financial period under review.

There were no material disposal of property, plant and equipment during the financial period under review.

#### A15. Changes in composition of the Group

There were no changes in the composition of the Group except for as disclosed in Note A13.

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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

#### B1. Review of performance

##### 3Q2023 vs 3Q2022

	<b>Current Quarter 30.09.2023 RM '000</b>	<b>Preceding Year 30.09.2022<sup>(1)</sup> RM '000</b>	<b>Changes</b>	
			<b>RM '000</b>	<b>%</b>
Revenue	83,546	N/A	N/A	N/A
Gross profit	14,011	N/A	N/A	N/A
Profit before tax	6,935	N/A	N/A	N/A
Profit after tax	4,716	N/A	N/A	N/A

**Note :**

- (1) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report of the Company for the third quarter ended 30 September 2023 announced in compliance with the Listing Requirements.

N/A - Not applicable

The Group recorded a revenue of RM83.5 million for the current quarter ended 30 September 2023.

The Group achieved a profit before tax of RM6.9 million and profit after tax of RM4.7 million respectively, for current quarter.

##### YTD 2023 vs YTD 2022

	<b>Cumulative Quarter 30.09.2023 RM '000</b>	<b>Cumulative Quarter 30.09.2022<sup>(1)</sup> RM '000</b>	<b>Changes</b>	
			<b>RM '000</b>	<b>%</b>
Revenue	249,557	N/A	N/A	N/A
Gross profit	46,295	N/A	N/A	N/A
Profit before tax	17,144	N/A	N/A	N/A
Profit after tax	12,198	N/A	N/A	N/A

**Note :**

- (1) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report of the Company for the third quarter ended 30 September 2023 announced in compliance with the Listing Requirements.

The Group recorded revenue of RM249.6 million for the financial period ended 30 September 2023 which was mainly contributed by the Malaysia's market of RM201.0 million (80.5%) and the balance contributed by outside Malaysia's market of RM48.5 million (19.5%).

The Group recognised profit before tax of RM17.1 million for the financial period ended 30 September 2023 after deducting for administrative expenses of RM15.0 million, distribution expenses of RM9.8 million, finance costs of RM3.7 million and net other expenses of RM0.6 million.

# **TSA GROUP BERHAD**

202201010003 (1455700-A)

(Incorporated in Malaysia)

## **INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

### **PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)**

#### **B2. Comparison with the immediate preceding quarter results**

There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report of the Company for the third quarter ended 30 September 2023 announced in compliance with the Listing Requirements.

#### **B3. Prospects**

The Group will continue to focus on its core business i.e. trading in stainless steel and other metal products, and manufacturing of stainless steel pipes. Going forward, plans are in the pipeline to expand the business upstream by establishing an in-house stainless steel cold rolling plant to be situated at its new manufacturing premises in Semenyih, Selangor. The stainless steel cold rolling line is expected to be commissioned in the 3<sup>rd</sup> quarter of 2026.

The Asian stainless steel prices has been generally declining since February 2023 which has affected our financial performance. The prospects of the stainless steel industry are dependent on demand from among others, the manufacturing sector and construction industry. For the first 9 months of 2023, the real GDP of the manufacturing sector and construction industry grew by 1.1% and 7.0% respectively compared to the corresponding period in 2022 (*source: independent market research report by Vital Factor Consulting Sdn Bhd dated 30 November 2023 as included in the prospectus*).

Barring unforeseen circumstances, we are cautiously optimistic on the prospects and outlook of the Group.

#### **B4. Variance of actual profits vs profit forecast**

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the interim financial reporting period under review.



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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

#### B5. Income tax expense

The breakdown of income tax expenses are as follows:

	Individual Quarter 30 September		Cumulative Quarter 30 September	
	2023 RM'000	2022 <sup>(1)</sup> RM'000	2023 RM'000	2022 <sup>(1)</sup> RM'000
Tax expenses				
- Current year	1,131	N/A	4,795	N/A
- Prior year	(211)	N/A	(211)	N/A
Deferred tax expenses	<u>1,299</u>	<u>N/A</u>	<u>362</u>	<u>N/A</u>
	2,219	N/A	4,946	N/A
Effective tax rate (%)	32%	N/A	29%	N/A

**Note:**

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report of the Company for the third quarter ended 30 September 2023 announced in compliance with the Listing Requirements.

N/A - Not applicable

The Group's effective tax rate for the financial period to date ended 30 September 2023 is higher than the statutory tax rate of 24% mainly due to certain expenses not being deductible for tax purposes such as listing expenses, stamp duty on new bank facilities, legal fee, finance costs and others.

#### B6. Investment in quoted securities

There was no purchase or disposal of any quoted securities during the interim financial reporting period under review.

#### B7. Status of corporate proposals

On 27 December 2023, the Company issued its Prospectus in conjunction with its listing of and quotation on the ACE Market of the Bursa Securities ("**Listing**") comprising a public issue of 77,325,000 Shares, at an issue price of RM0.55 per Share. The Company is expected to be listed on 2 February 2024.

Save as disclosed above, there were no other corporate proposals pending completion as at the date of this interim financial report.

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### INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

#### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

##### B8. Utilisation of proceeds from Public Issue

The gross proceeds of approximately RM42.53 million to be raised from the Public Issue is intended to be utilised in the following manner:

Utilisation of proceeds <sup>(1)</sup>	Proposed utilisation	Actual utilisation <sup>(2)</sup>	Estimated timeframe for utilisation from the date of the Listing
	RM '000	RM '000	
Capital expenditure for the establishment of Semenyih Manufacturing Premises	5,100	N/A	Within 24 months
Working capital	12,329	N/A	Within 36 months
Repayment of bank borrowings	20,000	N/A	Within 5 months
Estimated listing expenses	5,100	N/A	Within 1 month
<b>Total</b>	<b>42,529</b>	<b>N/A</b>	

**Notes:**

- (1) The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus dated 27 December 2023.
- (2) As at the date of this interim financial report, the listing exercise of the Company is pending completion. Hence, no proceeds are being utilised by the Group.

N/A - Not applicable

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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30  
SEPTEMBER 2023****PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING  
REQUIREMENTS (CONTINUED)****B9. Group borrowings and debt securities**

	As at 30 September 2023			
	Denominated in			
	RM	USD	SGD	Total
	RM'000	RM'000	RM '000	RM '000
<b>Non-current</b>				
Term loans	9,219	-	-	9,219
Hire purchase	168	-	239	407
	<u>9,387</u>	<u>-</u>	<u>239</u>	<u>9,626</u>
<b>Current</b>				
Term loan	1,222	-	-	1,222
Bankers' acceptance	6,285	-	-	6,285
Onshore foreign currency loan	-	52,089	-	52,089
Structured and trade commodity financing	5,668	17,805	-	23,437
Hire purchase	86	-	142	228
	<u>13,261</u>	<u>69,894</u>	<u>142</u>	<u>83,297</u>
<b>Total</b>	<b><u>22,648</u></b>	<b><u>69,894</u></b>	<b><u>381</u></b>	<b><u>92,923</u></b>

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### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

#### B9. Group borrowings and debt securities (continued)

	As at 31 December 2022			
	Denominated in			
	RM	USD	SGD	Total
	RM'000	RM'000	RM '000	RM '000
<b>Non-current</b>				
Term loans	10,099	-	-	10,099
Hire purchase	256	-	300	556
	<u>10,355</u>	<u>-</u>	<u>300</u>	<u>10,655</u>
<b>Current</b>				
Term loan	1,245	-	-	1,245
Bankers' acceptance	7,657	-	-	7,657
Onshore foreign currency loan	-	22,573	-	22,573
Structured and trade commodity financing	-	22,377	-	22,377
Hire purchase	69	-	170	239
	<u>8,971</u>	<u>44,950</u>	<u>170</u>	<u>54,091</u>
<b>Total</b>	<b><u>19,326</u></b>	<b><u>44,950</u></b>	<b><u>470</u></b>	<b><u>64,746</u></b>

All the borrowings of the Group are secured by way of charges over certain property, plant and equipment, a piece of leasehold land under right of use asset and fixed deposit of the Group.

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#### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

##### B10. Derivative financial instruments

As at 30 Sep 2023, the Group has the following outstanding derivatives financial instruments:

Foreign Currency Forward Contracts	Principal or Notional Amount	Fair Value	
		Assets	Liabilities
	RM '000	RM '000	RM '000
- Less than 1 year	25,002	1,291	-

The purpose of entering into foreign currency forward contracts is to minimize the impact of unfavorable movement in exchange rate in the trade payables and expected purchases denominated in United States Dollar. There are no cash requirements for these contracts.

The market risk posed by the Group's foreign currency forward contracts depends on the economic changes that impact market prices. As the exchange rate is pre-determined under such contracts, the market risk in these instruments is not significant. The foreign currency forward contracts are transacted with the Group's bankers and the credit risk for non-performance by the counterparty in these instruments is minimal. There is no changes to the type of derivative financial instruments entered into, risk associated with the derivatives and the Group's financial risk management objectives and policies in managing these derivatives financial instruments and their related accounting policies.

The fair value derivative assets amounting to RM1,290,895 has been recognized in the financial statements.

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### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

#### B11. Material litigations

Save as disclosed below, the Group is not involved in any other material litigation or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or financial position of the Group.

##### (a) High Court of Shah Alam, Originating Summons No.: BA-24NCvC-1131-09/2021

TSA Industries (“Plaintiff”)

-v-

1. Alliance Bank Malaysia Bhd;
2. RHB Bank Bhd;
3. HSBC Bank Malaysia Bhd; and
4. Public Bank Bhd,

(Alliance Bank Malaysia Bhd, RHB Bank Bhd, HSBC Bank Malaysia Bhd and Public Bank Bhd are collectively referred to as “Defendants”)

On 24 September 2021, a discovery application (“**Discovery Application**”) was commenced, on behalf of TSA Industries, against the Defendants to trace the misappropriated funds which were transferred into Entrust Marketing’s account (held in Alliance Bank Malaysia Bhd) belonging to Teoh Nam Hooi, who is the brother of Teoh Lai Kin. The objective of tracing the funds is towards facilitation of the assertion of TSA Industries’ right over the misappropriated funds. The estimated claim for the misappropriated sums is RM7,843,334.

The Discovery Application was completed.

The instructing solicitors acting for TSA Industries commenced execution proceedings following the decision by the High Court in the civil suit set out in note B11(b).

##### (b) High Court of Shah Alam, Civil Suit No.: BA-22NCvC-89-02/2017

TSA Industries (“Plaintiff”)

-v-

1. Teoh Lai Kin (“**First Defendant**”);
2. Teoh Nam Hooi (“**Second Defendant**”);
3. Chow Yew Fye (“**Third Defendant**”);
4. Jennifer Yen Lean Hwa (“**Fourth Defendant**”);
5. Teoh Lai Foong (“**Fifth Defendant**”); and
6. Standard Chartered Bank Malaysia Berhad (“**Sixth Defendant**”)

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## INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

#### **B11. Material litigations (continued)**

On 15 February 2017, a civil suit was commenced by TSA Industries, against the Defendants for the unauthorised transfers of monies from TSA Industries' bank account maintained with the Sixth Defendant to the Second Defendant's bank account.

Between 2003 and 2016, the First Defendant was employed as accounts executive by TSA Industries. It is contended that the transfers were effected by way of 79 letters of instruction forged by the First Defendant for the benefit of the First to Fifth Defendants.

TSA Industries is claiming against the First to Fifth Defendants for, amongst others, the sum of RM31,784,100.98 or such other sum as the Court deems fit and just.

Concurrently, TSA Industries is claiming against the Sixth Defendant, amongst others, a declaration that the Sixth Defendant is not entitled to debit TSA Industries' current account with the sum of RM31,935,688.60 together with interest accrued therein or such other sums as deemed fit and proper by the Court and costs.

On 9 December 2022, the Court ordered as follows:

- (a) TSA Industries' claim against the First to Fifth Defendants is allowed with costs of RM150,000.00 to be paid by the First to Fifth Defendants to TSA Industries; and
- (b) TSA Industries' claim against the Sixth Defendant is dismissed with costs of RM150,000.00 to be paid by TSA Industries to the Sixth Defendant. Such costs of RM150,000.00 is inclusive of all other previous costs orders between TSA Industries and the Sixth Defendant which were made as costs in the cause.

On 27 December 2022, an appeal was filed in the Court of Appeal (B-02(NCvC)(W)-2432-12/2022) against the decision of the Court in relation to the Sixth Defendant. The appeal fixed for hearing on 4 March 2024 was vacated on 19 January 2024. The next case management is scheduled for 31 January 2024 to fix a new hearing date for the appeal. The instructing solicitors acting for TSA Industries is of the view that the prospects of success of the appeal as it stands are fair to reasonable.

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### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

#### **B11. Material litigations (continued)**

Further, 8 garnishee applications were filed with the Court to recover the judgment sum owed to TSA Industries by the First to Fifth Defendants. However, 4 of the garnishee applications filed with the Court which involved the Second Defendant were withdrawn as the Second Defendant was adjudged bankrupt on 13 December 2017. Further, 2 of the garnishee applications filed with the Court were withdrawn as the relevant defendants' bank accounts were closed. To date, TSA Industries has recovered an aggregate sum of RM22,406 from 2 of the garnishee applications filed with the Court. As of 19 January 2024, the debt owing to TSA Industries by the First to Fifth Defendants is RM33,718,173.46 (calculated based on the judgment sum, allocator fee, costs and interests of 5% per annum less the sum recovered from the 2 garnishee applications).

On 28 November 2023, an originating summons was filed by TSA Industries, against the Second Defendant, Fourth Defendant and 4 of the banks where they maintained accounts with for, amongst others, a declaratory order that monies held in the accounts bearing the name of the Second Defendant either solely and/or jointly at the 4 defendant banks shall not be vested with the Director General of Insolvency by virtue of the illegality of the monies, and recovery of the monies held by the Director General of Insolvency due to the bankruptcy status of the Second Defendant.

During the case management on 16 January 2024, the judge directed TSA Industries to file an application in the Bankruptcy Court for leave to commence an action against the Second Defendant in the High Court as he is an undischarged bankrupt. TSA Industries' originating summons application will be put on hold pending its leave application in the Bankruptcy Court.

The case management in the High Court is fixed for 25 March 2024 to update the High Court on TSA Industries' leave application in the Bankruptcy Court.

TSA Industries will proceed with its action against the Second Defendant in the High Court upon obtaining leave of the Bankruptcy Court. The quantum cannot be determined at this juncture as it depends on the sums that are held in the respective defendant banks. The solicitors acting for TSA Industries is of the view that it has a reasonably good arguable case.



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### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

#### B11. Material litigations (continued)

##### (c) High Court of Kuala Lumpur, Admiralty Action In Rem Suit No.: WA-27NCC-44-10/2022

##### **TSA Industries (“Plaintiff”) -v- The Owners and/or Other Persons Interested in the Ship or Vessel “MSR No 1” (IMO NO.: 9141742) of Port of Panama (“Vessel”) (“Defendant”)**

TSA Industries purchased one set of reconditioned annealing furnace from Hongkong Chengxin International Development Co. Limited (“**Seller**”) at a price of USD1,127,760.50. On 13 September 2022, 23 packages of cargo containing pieces of the annealing furnace (collectively, “**Cargo**”) were shipped on board the Vessel from Shanghai to Port Klang. While on voyage from Shanghai to Port Klang, the Vessel encountered turbulent weather conditions and 8 packages fell overboard into the sea while 15 packages remained on board with varied degree of damages of the packages. The Vessel arrived at Port Klang with the damaged packages.

On 3 October 2022, the Court issued the Writ *in rem* and a Warrant of Arrest for the Vessel. The arrest was effected on 4 October 2022 by the Sheriff of the Court at the territorial waters of Malaysia at Port Klang. The arrest was on the basis that, as the carrier and bailee of the Cargo, the Defendant had failed to ensure that the Cargo is received by TSA Industries in a good, workable condition and was fit for its function and purpose.

The solicitors acting for TSA Industries had, on 7 November 2022, filed the statement of claim. TSA Industries is claiming, amongst others, the sum of USD1,127,760.50, interest and legal and other costs amounting to RM400,000.

On 31 January 2023, the Vessel was released from arrest after security for the claim amounting to USD1,240,536.55 (being the value of the cargo lost and costs of RM400,000.00) was paid into Court. On 3 April 2023, the Admiralty Judge dismissed the Defendant’s application to strike out the claim and to set aside the arrest. The Court has postponed the trial dates from 11 March 2024 to 15 March 2024 to 4 November 2024 to 8 November 2024.

The solicitors acting for TSA Industries is of the view that TSA Industries has good chances of success of proving the claim at trial.

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### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

#### B12. Dividends

The Board of Directors of TSA Group did not declare or recommend any dividend for the financial period ended 30 September 2023.

#### B13. Earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Individual Quarter		Cumulative Quarter	
	30 September		30 September	
	2023	2022 <sup>(1)</sup>	2023	2022 <sup>(1)</sup>
Profit attributable to ordinary shareholders (RM '000)	4,581	N/A	11,552	N/A
Weighted average number of ordinary shares ('000)	5,001	N/A	5,001	N/A
Basic earnings per share (RM)	0.92	N/A	2.31	N/A

**Note:**

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report of the Company for the third quarter ended 30 September 2023 announced in compliance with the Listing Requirements.

N/A - Not applicable

Basic EPS is computed based on profit attributable to owners of the Company divided by the Company's number of 5,001,000 Shares before the IPO of the Company.

Diluted EPS is equivalent to the basic EPS as the Group does not have any potential dilutive ordinary share in issue during and at the end of the third quarter of 2023.

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#### PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

##### B14. Notes to the Condensed Statement of Profit or Loss and Other Comprehensive Income

Profit before taxation is arrived after charging/(crediting):

	Individual Quarter 30 September		Cumulative Quarter 30 September	
	2023 RM'000	2022 <sup>(1)</sup> RM'000	2023 RM'000	2022 <sup>(1)</sup> RM'000
Net impairment loss on:				
- trade receivables	(4)	N/A	46	N/A
Depreciation of				
- property, plant and equipment	478	N/A	1,490	N/A
- right-of-use assets	422	N/A	905	N/A
Property, plant and equipment Written off	11	N/A	41	N/A
Inventories written back	(162)	N/A	(162)	N/A
Gain on disposal of property, plants and equipment	-	N/A	(6)	N/A
Finance costs	1,714	N/A	3,736	N/A
Finance income	(151)	N/A	(398)	N/A
Realized loss/(gain) on foreign exchange	277	N/A	(2,347)	N/A
Unrealized (gain)/loss on foreign exchange	(900)	N/A	3,032	N/A
Unrealized gain on derivatives	(1,291)	N/A	(1,291)	N/A

**Note:**

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the first interim financial report of the Company for the third quarter ended 30 September 2023 announced in compliance with the Listing Requirements.

N/A - Not applicable

##### B15. Authorisation for issue

This interim financial report of TSA Group for the third quarter ended 30 September 2023 was authorized for issuance by the Board of Directors on 26 January 2024.