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TSA GROUP BERHAD

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

**Interim Financial Report
For the Fourth Quarter and Financial Year
Ended 31 December 2023**

TSA GROUP BERHAD

202201010003 (1455700-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023⁽¹⁾**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31 December		31 December	
		2023 RM '000	2022 ⁽²⁾ RM '000	2023 RM '000	2022 ⁽²⁾ RM '000
Revenue	A8	83,089	N/A	332,646	N/A
Cost of sales		(67,147)	N/A	(270,409)	N/A
Gross profit ("GP")		15,942	N/A	62,237	N/A
Net other income/(expenses)		176	N/A	(386)	N/A
Administrative expenses		(5,652)	N/A	(20,632)	N/A
Distribution expenses		(2,142)	N/A	(11,968)	N/A
Finance costs		(1,319)	N/A	(5,055)	N/A
Net reversal of impairment losses/(impairment loss) on impairment of financial assets		-	N/A	(46)	N/A
Profit before tax ("PBT")		7,005	N/A	24,150	N/A
Tax expense	B5	(2,097)	N/A	(7,043)	N/A
Profit after tax ("PAT")		4,908	N/A	17,107	N/A
Other comprehensive income					
<u>Item that will be reclassified subsequently to profit and loss</u>					
Foreign currency translation differences		141	N/A	783	N/A
Total Comprehensive income		5,049	N/A	17,890	N/A

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023⁽¹⁾ (CONTINUED)

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended		12 months ended	
		31 December		31 December	
		2023	2022 ⁽²⁾	2023	2022 ⁽²⁾
		RM '000	RM '000	RM '000	RM '000
Profit after tax attributable to :					
- Owners of the Company		4,774	N/A	16,327	N/A
- Non-controlling interests		134	N/A	780	N/A
		4,908	N/A	17,107	N/A
Total comprehensive income attributed to :					
- Owners of the Company		4,887	N/A	16,953	N/A
- Non-controlling interest		162	N/A	937	N/A
		5,049	N/A	17,890	N/A
Earnings per share (sen)					
Basic /Diluted ⁽³⁾	B13	3.05	N/A	41.43	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 second interim financial report for the fourth quarter and financial year ended 31 December 2023 announced in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**").
- (3) Basic Earnings per share ("**EPS**") is computed based on profit attributable to owners of the Company divided by weighted average number of ordinary shares of the Company after the completion of the Acquisition of TSA Industries via issuance of 231,974,000 new ordinary shares in TSA ("**Shares**") but before the issuance of new Shares pursuant to the IPO of the Company.

N/A – Not applicable

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023⁽¹⁾

		31.12.2023	31.12.2022
		RM '000	RM '000
	Note	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		40,219	34,545
Right-of-use assets		15,620	13,669
Deferred tax assets		1,071	1,355
Total non-current assets		56,910	49,569
Current assets			
Inventories		59,348	82,627
Trade receivables		76,975	61,294
Other receivables, deposit and prepayment		9,874	15,796
Amount owing by a related party		252	112
Current tax assets		346	1
Derivative assets	B10	-	-
Fixed deposit with a licensed bank		553	544
Cash and bank balances		18,753	31,423
Total current assets		166,101	191,797
Total assets		223,011	241,366
Equity			
Share capital		120,000	5,000
Reserves		19,682	142,729
		139,682	147,729
Non-controlling interests		3,247	2,310
Total equity		142,929	150,039
Non-current liabilities			
Lease liabilities		1,517	265
Borrowings	B9	9,789	10,655
Deferred tax liabilities		1,734	1,350
Total non-current liabilities		13,040	12,270

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023

UNAUDITED COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023⁽¹⁾ (CONTINUED)

		31.12.2023 RM '000 (Unaudited)	31.12.2022 RM '000 (Audited)
Current Liabilities			
Trade payables		6,596	13,100
Other payables and accruals		7,504	8,452
Amount owing to directors		-	1,179
Current tax liabilities		823	1,815
Lease liabilities		1,328	420
Derivative liabilities	B10	289	-
Borrowings	B9	50,502	54,091
Total current liabilities		67,042	79,057
Total liabilities		80,082	91,327
Total equity and liabilities		223,011	241,366
Number of ordinary shares ('000)		231,975⁽³⁾	5,001
Net assets per ordinary share attributable to owners of the Company (RM)⁽²⁾		0.60	29.54

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.
- (3) 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 via issuance of 231,974,000 Shares for the Acquisition of TSA Industries at an issue price of RM0.5173 each but before the issuance of new Shares pursuant to the IPO of the Company.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023⁽¹⁾

	Share capital RM '000	Translation Reserve RM '000	Reorganisa- tion 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 year	-	-		16,327	16,327	780	17,107
Other comprehensive income for financial year							
- Foreign currency translation differences	-	626		-	626	157	783
Total comprehensive income for financial year	-	626	-	16,327	16,953	937	17,890
Ordinary shares issued pursuant to the acquisition of subsidiaries	120,000	-	(120,000)	-	-		
Less : Acquisition of subsidiary	(5,000)	-	5,000	-	-		
Distribution to owners of the Company:							
Dividends:							
-by the Company	-	-	-	(25,000)	(25,000)	-	(25,000)
As at 31 December 2023	120,000	1,414	(115,000)	133,268	139,682	3,247	142,929

Note:

- (1) There are no comparative figures for the preceding corresponding quarter and period as this is the second interim financial report for the fourth quarter and financial year ended 31 December 2023 of the Company announced in compliance with the Listing Requirements.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023 ⁽¹⁾**

	12-months ended 31 December 2023	12-months ended 31 December 2022 ⁽²⁾
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation:	24,150	N/A
Adjustments for:		
Depreciation:		
- Property, plant and equipment	1,944	N/A
- Right-of-use assets	1,332	N/A
Impairment losses on:		
- Trade receivables	46	N/A
Interest expenses	5,055	N/A
Property, plant and equipment written off	46	N/A
Bad debts recovered	(77)	N/A
Gain on disposal of property, plant and equipment	(6)	N/A
Interest income	(505)	N/A
Inventories written back	(1,096)	N/A
Reversal of impairment losses on:		
- Trade receivables	-	N/A
Unrealized loss on foreign exchange	756	N/A
Unrealized loss on derivatives	289	N/A
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	31,934	N/A
Decrease in inventories	25,049	N/A
Increase in trade and other receivables	(7,894)	N/A
Decrease in trade and other payables	(7,690)	N/A
Increase in amount owing by a related party	(140)	N/A
Decrease in amount owing to directors	(1,179)	N/A
OPERATING PROFIT AFTER WORKING CAPITAL CHANGES	40,080	N/A
Interest paid	(5,053)	N/A
Interest received	496	N/A
Income tax paid	(7,763)	N/A
NET CASH FROM OPERATING ACTIVITIES	27,760	N/A

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UNAUDITED COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)⁽¹⁾

	12-months ended 31 December 2023 RM '000	12-months ended 31 December ⁽²⁾ 2022 RM '000
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of Property, plant and equipment	(7,642)	N/A
Proceeds from disposal of Property, plant and equipment	6	N/A
NET CASH FOR INVESTING ACTIVITIES	(7,636)	N/A
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividends paid	(25,000)	N/A
Repayment of lease liabilities	(1,171)	N/A
Net repayment of hire purchases	(193)	N/A
Net repayment of term loans	(696)	N/A
Net drawdown of onshore foreign currency loan	13,417	N/A
Net repayment of structured and trade commodity financing	(19,471)	N/A
Net drawdown of banker's acceptances	1,077	N/A
NET CASH FOR FINANCING ACTIVITIES	(32,037)	N/A
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,913)	N/A
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(757)	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	31,423	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	18,753	N/A

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 second interim financial report for the fourth quarter and financial year ended 31 December 2023 of the Company announced in compliance with the Listing Requirements.

N/A – Not applicable

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 year, 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)	Effective Date
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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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 ended 31 December 2023:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
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 year under review.

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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 year 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 year under review.

A7. Dividend

On 29 March 2023, the Board of Directors of TSA Industries Sdn Bhd (“**TSA Industries**”) declared an interim single-tier dividend of RM4.00 per ordinary share amounting to RM20.0 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 ended 31 December 2023 and paid on 4 April 2023 and 5 April 2023.

On 18 October 2023, the Board of Directors of TSA Industries declared an interim single-tier dividend of RM1.00 per ordinary share amounting to RM5.0 million (based on issued share capital of 5,000,000 shares) in respect of the financial year ended 31 December 2023 and paid on 30 October 2023.

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

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 3 months ended 31 December 2023 RM’000	Cumulative Quarter 12 months ended 31 December 2023 RM’000
Revenue		
-Malaysia	66,363	267,369
-Outside Malaysia	16,726	65,277
	<u>83,089</u>	<u>332,646</u>

Note:-

There are no comparative figures for the preceding corresponding quarter and period as this is the second interim financial report of the Company for the fourth quarter and financial year ended 31 December 2023 announced in compliance with the Listing Requirements.

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 fixed on 26 September 2024 and hearing of appeal is fixed on 10 October 2024.

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

A9. Contingent liabilities and contingent assets (continued)

a) Contingent assets (continued)

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 the Group that may have a material impact on its financial position.

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

A10. Capital commitments

	<u>31 December 2023</u>
Approved and contracted for	RM'000
Purchase of machineries	16,927
Contracted consultant	308
	<u>17,235</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 3 months ended 31 December		Cumulative Quarter 12 months ended 31 December	
	<u>2023</u>	<u>2022⁽¹⁾</u>	<u>2023</u>	<u>2022⁽¹⁾</u>
	RM'000	RM'000	RM'000	RM'000
Sales	210	N/A	505	N/A
Purchase	10	N/A	76	N/A
Rental expenses	5	N/A	16	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the second interim financial report of the Company for the fourth quarter and financial year ended 31 December 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 year under review.

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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 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 Shares 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 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 was completed on 2 Feb 2024.

A14 Property plant and equipment

The Group acquired property plant and equipment amounting RM7,641,955 during the financial year under review.

There were no material disposal of property, plant and equipment during the financial year 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 FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

B1. Review of performance

4Q2023 vs 4Q2022

	Current Quarter 31.12.2023	Preceding Year 31.12.2022⁽¹⁾	Changes	
	RM '000	RM '000	RM '000	%
Revenue	83,089	N/A	N/A	N/A
Gross profit	15,942	N/A	N/A	N/A
Profit before tax	7,005	N/A	N/A	N/A
Profit after tax	4,908	N/A	N/A	N/A

Note :

- (1) There are no comparative figures for the preceding corresponding quarter and period as this is the second interim financial report of the Company for the fourth quarter and financial year ended 31 December 2023 announced in compliance with the Listing Requirements.

N/A - Not applicable

The Group recorded a revenue of RM83.1 million for the current quarter ended 31 December 2023.

The Group achieved a profit before tax of RM7.0 million and profit after tax of RM4.9 million respectively, for current quarter.

YTD 2023 vs YTD 2022

	Cumulative Quarter 31 12.2023	Cumulative Quarter 31.12.2022⁽¹⁾	Changes	
	RM '000	RM '000	RM '000	%
Revenue	332,646	N/A	N/A	N/A
Gross profit	62,237	N/A	N/A	N/A
Profit before tax	24,150	N/A	N/A	N/A
Profit after tax	17,107	N/A	N/A	N/A

Note :

- (1) There are no comparative figures for the preceding corresponding quarter and period as this is the second interim financial report of the Company for the fourth quarter and financial year ended 31 December 2023 announced in compliance with the Listing Requirements.

The Group recorded revenue of RM332.6 million for the financial year ended 31 December 2023 which was mainly contributed by the sales to Malaysian market totaling RM267.4 million (80.4%) and the balance RM65.2 million (19.6%) contributed by sales outside Malaysia market.

The Group recognised profit before tax of RM 24.2 million for the financial year ended 31 December 2023 after deducting administrative expenses of RM20.6 million, distribution expenses of RM12.0 million, finance costs of RM5.1 million and net other expenses of RM0.4 million. Included in the administrative expenses of RM20.7 million was a one-off listing expense of RM2.2 million.

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B2. Comparison with the immediate preceding quarter results

4Q2023 vs 3Q2023

	Current Quarter 31.12.2023	Preceding Quarter 30.09.2023	Changes	
	RM '000	RM '000	RM '000	%
Revenue	83,089	83,546	(457)	0.6
Gross profit	15,942	14,011	1,931	13.8
Profit before tax	7,005	6,935	70	1.0
Profit after tax	4,908	4,716	192	4.1

The Group's revenue for the current quarter decreased by RM0.5 million or 0.6% to RM83.1 million as compared with the immediate preceding quarter of RM83.5 million, which was mainly driven by lower revenue contribution from the Malaysian market. The Group's PBT for the current quarter increased by RM0.1 million or 1.0% to RM7.0 million as compared with the immediate preceding quarter of RM6.9 million.

B3. Prospects

The Group remains committed to expanding its core business of trading in stainless steel and other metal products, and the manufacturing of stainless steel pipes. Various innovation and product development plans are in the pipeline to increase its product range.

In the medium term, the Group plans to expand upstream by establishing a stainless steel cold rolling line at its new manufacturing premise in Semenyih by the 3rd quarter of 2026.

The prospects of the stainless steel industry are dependent on demand from among others, the manufacturing sector and construction industry. Global geopolitical and economic factors will also have a significant impact on both the demand and the pricing of stainless steel and other metal commodities. Against this backdrop, the Group is ever vigilant while remaining 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 financial year under review.

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B5. Income tax expense

The breakdown of income tax expenses are as follows:

	Individual Quarter 3 months ended 31 December		Cumulative Quarter 12 months ended 31 December	
	2023	2022 ⁽¹⁾	2023	2022 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Tax expenses				
- Current year	1,496	N/A	6,291	N/A
- Prior year	296	N/A	85	N/A
Deferred tax expenses	305	N/A	667	N/A
	2,097	N/A	7,043	N/A
Effective tax rate (%)	30%	N/A	29%	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the second interim financial report of the Company for the fourth quarter and financial year ended 31 December 2023 announced in compliance with the Listing Requirements.

N/A - Not applicable

The Group's effective tax rate for the financial year ended 31 December 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 banking facilities, legal fee, finance costs and others.

B6. Investment in quoted securities

There was no purchase or disposal of any quoted securities during the financial reporting year 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 Listing of the Company on ACE Market of Bursa Securities was completed 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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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 ⁽¹⁾	Proposed utilisation	Actual utilisation ⁽²⁾	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
Total	42,529	N/A	

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 31 December 2023, the listing exercise of the Company is pending completion. Hence, no proceeds are being utilised by the Group. The Company was listed on the ACE Market of Bursa Securities on 2 February 2024.

N/A - Not applicable

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	As at 31 December 2023			
	Denominated in			
	RM	USD	SGD	Total
	RM'000	RM'000	RM '000	RM '000
Non-current				
Term loans	9,429	-	-	9,429
Hire purchase	147	-	213	360
	<u>9,576</u>	<u>-</u>	<u>213</u>	<u>9,789</u>
Current				
Term loan	1,223	-	-	1,223
Bankers' acceptance	8,734	-	-	8,734
Onshore foreign currency loan	-	36,292	-	36,292
Structured and trade commodity financing	2,453	1,533	-	3,986
Hire purchase	82	-	185	267
	<u>12,492</u>	<u>37,825</u>	<u>185</u>	<u>50,502</u>
Total	<u>22,068</u>	<u>37,825</u>	<u>398</u>	<u>60,291</u>

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	As at 31 December 2022			
	Denominated in			
	RM RM'000	USD RM'000	SGD RM '000	Total RM '000
Non-current				
Term loans	10,099	-	-	10,099
Hire purchase	256	-	300	556
	10,355	-	300	10,655
Current				
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
	8,971	44,950	170	54,091
Total	19,326	44,950	470	64,746

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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B10. Derivative financial instruments

As at 31 December 2023, the Group has the following outstanding derivatives financial instruments:

Foreign Currency Forward Contracts

	Principal or Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Less than 1 year	16,186	-	289

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 liabilities amounting to RM288,580 has been recognized in the financial statements.

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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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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 fixed on 26 September 2024 and the hearing of the appeal is fixed on 10 October 2024. 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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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 23 February 2024, the debt owing to TSA Industries by the First to Fifth Defendants is RM33,870,562.98 (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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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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B12. Dividends

The Board of Directors of TSA Group did not declare or recommend any dividend for the financial year ended 31 December 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	
	3 months ended		12 months ended	
	31 December		31 December	
	2023	2022 ⁽¹⁾	2023	2022 ⁽¹⁾
Profit attributable to ordinary shareholders (RM '000)	4,774	N/A	16,327	N/A
Weighted average number of ordinary shares ('000)	156,331	N/A	39,405	N/A
Basic earnings per share (sen)	3.05	N/A	41.43	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the second interim financial report of the Company for the fourth quarter and financial year ended 31 December 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 weighted average number of ordinary shares of the Company after completion of the Acquisition of TSA Industries via issuance of 231,974,000 Shares but before the issuance of new Shares pursuant to 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 fourth quarter of 2023.

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

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

	Individual Quarter 3 months ended 31 December		Cumulative Quarter 12 months ended 31 December	
	2023	2022 ⁽¹⁾	2023	2022 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Net impairment loss on:				
- trade receivables	-	N/A	46	N/A
Depreciation of:				
- property, plant and equipment	454	N/A	1,944	N/A
- right-of-use assets	427	N/A	1,332	N/A
Property, plant and equipment written off	5	N/A	46	N/A
Inventories written back	(934)	N/A	(1,096)	N/A
Gain on disposal of property, plants and equipment	-	N/A	(6)	N/A
Finance costs	1,319	N/A	5,055	N/A
Finance income	(108)	N/A	(505)	N/A
Realized loss on foreign exchange	4,935	N/A	2,588	N/A
Unrealized (gain)/loss on foreign exchange	(2,276)	N/A	756	N/A
Unrealized loss on derivatives	1,579	N/A	289	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the second interim financial report of the Company for the fourth quarter and financial year ended 31 December 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 fourth quarter and financial year ended 31 December 2023 was authorized for issuance by the Board of Directors on 29 February 2024.