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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 First Quarter Ended 31 March 2024**

TSA GROUP BERHAD

202201010003 (1455700-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2024⁽¹⁾**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
		31 March		31 March	
		2024 RM '000	2023 ⁽²⁾ RM '000	2024 RM '000	2023 ⁽²⁾ RM '000
Revenue	A8	64,650	N/A	64,650	N/A
Cost of sales		(51,770)	N/A	(51,770)	N/A
Gross profit ("GP")		12,880	N/A	12,880	N/A
Other income		1,218	N/A	1,218	N/A
Administrative expenses		(5,043)	N/A	(5,043)	N/A
Distribution expenses		(2,918)	N/A	(2,918)	N/A
Finance costs		(998)	N/A	(998)	N/A
Other expenses		(1,885)	N/A	(1,885)	N/A
Net reversal of impairment losses/(impairment loss) on impairment of financial assets		-	N/A	-	N/A
Profit before tax ("PBT")		3,254	N/A	3,254	N/A
Tax expense	B5	(1,190)	N/A	(1,190)	N/A
Profit after tax ("PAT")		2,064	N/A	2,064	N/A
Other comprehensive income					
<u>Item that will be reclassified subsequently to profit and loss</u>					
Foreign currency translation differences		96	N/A	96	N/A
Total Comprehensive income		2,160	N/A	2,160	N/A

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2024⁽¹⁾ (CONTINUED)

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended		3 months ended	
		31 March		31 March	
		2024	2023 ⁽²⁾	2024	2023 ⁽²⁾
		RM '000	RM '000	RM '000	RM '000
Profit after tax attributable to :					
- Owners of the Company		2,113	N/A	2,113	N/A
- Non-controlling interests		(49)	N/A	(49)	N/A
		2,064	N/A	2,064	N/A
Total comprehensive income attributed to :					
- Owners of the Company		2,190	N/A	2,190	N/A
- Non-controlling interest		(30)	N/A	(30)	N/A
		2,160	N/A	2,160	N/A
Earnings per share (sen)					
Basic /Diluted ⁽³⁾	B12	0.75	N/A	0.75	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 audited financial statements for the financial year ended 31 December 2023 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 third interim financial report for the first quarter ended 31 March 2024 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 IPO of the Company on 2 February 2024 in issuance of 77,325,000 new ordinary shares.

N/A – Not applicable

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024⁽¹⁾

		31.3.2024	31.12.2023
		RM '000	RM '000
	Note	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		40,318	40,219
Right-of-use assets		15,267	15,620
Deferred tax assets		660	1,071
Total non-current assets		56,245	56,910
Current assets			
Inventories		64,899	59,348
Trade receivables		69,604	76,975
Other receivables, deposit and prepayment		10,141	9,874
Amount owing by a related party		214	252
Current tax assets		-	346
Derivative assets	B10	115	-
Fixed deposit with a licensed bank		553	553
Cash and bank balances		62,815	18,753
Total current assets		208,341	166,101
Total assets		264,586	223,011
Equity			
Share capital		160,732	120,000
Reserves		21,872	19,682
		182,604	139,682
Non-controlling interests		3,217	3,247
Total equity		185,821	142,929
Non-current liabilities			
Lease liabilities		1,186	1,454
Borrowings	B9	9,679	9,789
Deferred tax liabilities		1,736	1,733
Total non-current liabilities		12,601	12,976

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024⁽¹⁾ (CONTINUED)

		31.3.2024 RM '000 (Unaudited)	31.12.2023 RM '000 (Audited)
Current Liabilities			
Trade payables		7,308	6,596
Other payables and accruals		5,755	7,505
Current tax liabilities		1,001	823
Lease liabilities		1,355	1,391
Derivative liabilities	B10	-	289
Borrowings	B9	50,745	50,502
Total current liabilities		66,164	67,106
Total liabilities		78,765	80,082
Total equity and liabilities		264,586	223,011
Number of ordinary shares ('000)		309,300⁽²⁾	231,975
Net assets per ordinary share attributable to owners of the Company (RM)		0.59⁽³⁾	0.60⁽⁴⁾

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position is disclosed in Note A1 and 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 this interim financial report.
- (2) On 2 February 2024, the Company was successfully admitted to the Official List of Bursa Securities with the listing of its entire enlarge issued share capital of RM162,529,000 (prior to deduction of listing expenses) comprising 309,300,000 ordinary shares..
- (3) 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 after the IPO of the Company.
- (4) 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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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2024⁽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 2024	120,000	1,414	(115,000)	133,268	139,682	3,247	142,929
Profit after taxation for the financial year	-	-	-	2,113	2,113	(49)	2,064
Other comprehensive income for financial year							
- Foreign currency translation differences	-	77	-	-	77	19	96
Total comprehensive income for financial year	-	77	-	2,113	2,190	(30)	2,160
Issuance of ordinary shares pursuant to the IPO	42,529	-	-	-	41,529	-	42,529
Less : Share issuance expenses pursuant to the IPO	(1,797)	-	-	-	(1,797)	-	(1,797)
As at 31 March 2024	160,732	1,491	(115,000)	135,381	182,604	3,217	185,821

Note:

- (1) There are no comparative figures for the preceding corresponding quarter and period as this is the third interim financial report for the first quarter ended 31 March 2024 of the Company announced in compliance with the Listing Requirements.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2024 ⁽¹⁾**

	3-months ended 31 March 2024	3-months ended 31 March 2023⁽²⁾
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation:	3,254	N/A
Adjustments for:		
Depreciation:		
- Property, plant and equipment	464	N/A
- Right-of-use assets	437	N/A
Impairment losses on:		
- Trade receivables	-	N/A
Interest expenses	998	N/A
Bad debts recovered	(18)	N/A
Interest income	(327)	N/A
Inventories written down	126	N/A
Unrealized loss on foreign exchange	709	N/A
Unrealized gain on derivatives	(404)	N/A
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	5,239	N/A
Increase in inventories	(5,597)	N/A
Decrease in trade and other receivables	5,371	N/A
Decrease in trade and other payables	(1,049)	N/A
Decrease in amount owing by a related party	38	N/A
OPERATING PROFIT AFTER WORKING CAPITAL CHANGES	4,002	N/A
Interest paid	(953)	N/A
Interest received	327	N/A
Income tax paid	(256)	N/A
NET CASH FROM OPERATING ACTIVITIES	3,120	N/A

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

UNAUDITED COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2024 (CONTINUED) ⁽¹⁾

	3-months ended 31 March 2024 RM '000	3-months ended 31 March ⁽²⁾ 2023 RM '000
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of Property, plant and equipment	(288)	N/A
Proceeds from disposal of Property, plant and equipment	-	N/A
NET CASH FOR INVESTING ACTIVITIES	(288)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	N/A
Repayment of lease liabilities	(387)	N/A
Net repayment of hire purchases	(27)	N/A
Net repayment of term loans	(339)	N/A
Net drawdown of onshore foreign currency loan	9,432	N/A
Net repayment of structured and trade commodity financing	(3,706)	N/A
Net repayment of banker's acceptances	(6,151)	N/A
Issuance of new ordinary shares	42,529	N/A
NET CASH FROM FINANCING ACTIVITIES	41,351	N/A
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,183	N/A
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(121)	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	18,753	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	62,815	N/A

Notes:

- (1) The Unaudited 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 this interim financial report.
- (2) There are no comparative figures for the preceding corresponding quarter as this is the third interim financial report for the first quarter ended 31 March 2024 of the Company announced in compliance with the Listing Requirements.

N/A – Not applicable

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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*”.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2023.

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.

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 2024.

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
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

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 FIRST QUARTER ENDED 31 MARCH 2024

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 2024:-

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 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 2023.

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 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

The Board of Directors does not recommend any dividend in respect of the quarter ended 31 March 2024.

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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 March 2024 RM’000	Cumulative Quarter 3 months ended 31 March 2024 RM’000
Revenue		
-Malaysia	55,191	55,191
-Outside Malaysia	9,459	9,459
	<u>64,650</u>	<u>64,650</u>

Note:-

There are no comparative figures for the preceding corresponding quarter and period as this is the third interim financial report of the Company for the first quarter ended 31 March 2024 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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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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.

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 2nd Defendant in the High Court as he is an undischarged bankrupt. TSA Industries' originating summons application put on hold pending its leave application in the Bankruptcy Court.

On 6 March 2024, the leave application obtained from the Bankruptcy Court to commence action against one of the Defendants. On 25 March 2024, the Court gave direction that all Defendants to file their Affidavit in Reply on or before 8 April 2024 while TSA Industries to file Affidavit in Reply on or before 22 April 2024. On 27 May 2024, the Court has allowed TSA Industries' application for the Director General of Insolvency to return TSA Industries' money in Teoh Nam Hooi and Jennifer Yen's bank accounts to TSA Industries.

The quantum cannot be determined at this juncture as it depends on the sums that are held in the respective defendant banks. The solicitors are attending to the necessary to assist in the recovery.

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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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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

A10. Capital commitments

	<u>31 March 2024</u>
Approved and contracted for	RM'000
Purchase of machineries	17,408
Contracted consultant	325
	<u><u>17,733</u></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 March		Cumulative Quarter 3 months ended 31 March	
	<u>2024</u>	<u>2023⁽¹⁾</u>	<u>2024</u>	<u>2023⁽¹⁾</u>
	RM'000	RM'000	RM'000	RM'000
Sales	31	N/A	31	N/A
Purchase	5	N/A	5	N/A
Rental expenses	5	N/A	5	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the third interim financial report of the Company for the first quarter ended 31 March 2024 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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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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

There were no material events subsequent to the end of current quarter that have not been reflected in the interim financial report.

A14. Property plant and equipment

The Group acquired property plant and equipment amounting RM288,012 during the financial period 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.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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

B1. Review of performance

1Q2024 vs 1Q2023

	Current Quarter 31.3.2024	Preceding Year 31.3.2023⁽¹⁾	Changes	
	RM '000	RM '000	RM '000	%
Revenue	64,650	N/A	N/A	N/A
Gross profit	12,880	N/A	N/A	N/A
Profit before tax	3,254	N/A	N/A	N/A
Profit after tax	2,064	N/A	N/A	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the third interim financial report of the Company for the first quarter ended 31 March 2024 announced in compliance with the Listing Requirements.

N/A - Not applicable

YTD 2024 vs YTD 2023

	Cumulative Quarter 31 3.2024	Cumulative Quarter 31.3.2023⁽¹⁾	Changes	
	RM '000	RM '000	RM '000	%
Revenue	64,650	N/A	N/A	N/A
Gross profit	12,880	N/A	N/A	N/A
Profit before tax	3,254	N/A	N/A	N/A
Profit after tax	2,064	N/A	N/A	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the third interim financial report of the Company for the first quarter ended 31 March 2024 announced in compliance with the Listing Requirements.

The Group recorded revenue of RM64.7 million for the current quarter and year-to-date ended 31 March 2024 which was mainly contributed by the sales to Malaysian market totaling RM55.2 million (85.4%) and the balance RM9.5 million (14.6%) contributed by sales outside Malaysia market.

The Group recognised profit before tax of RM 3.3 million for the current quarter and year-to-date ended 31 March 2024 after deducting administrative expenses of RM5.0 million, distribution expenses of RM2.9 million, finance costs of RM1.0 million, other expenses of RM1.9 million and net-off to the other income of RM1.2 million.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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

B2. Comparison with the immediate preceding quarter results

1Q2024 vs 4Q2023

	Current Quarter 31.3.2024	Preceding Quarter 31.12.2023	Changes	
	RM '000	RM '000	RM '000	%
Revenue	64,650	83,089	(18,439)	(22.2)
Gross profit	12,880	15,942	(3,062)	(19.2)
Profit before tax	3,254	7,005	(3,751)	(53.5)
Profit after tax	2,064	4,908	(2,844)	(57.9)

The Group's revenue for the current quarter decreased by RM18.4 million or 22.2% to RM64.7 million as compared to RM83.1 million in the immediate preceding quarter. The decline was mainly driven by softer market demand in Malaysia and Singapore, as well as the festive season. Correspondingly, the Group's PBT & PAT for the current quarter decreased by RM3.8 million and RM2.8 million to RM3.3 million and RM2.1 million respectively.

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 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 fourth 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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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 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Tax expenses				
- Current year	776	N/A	776	N/A
- Prior year	-	N/A	-	N/A
Deferred tax expenses	414	N/A	414	N/A
	1,190	N/A	1,190	N/A
Effective tax rate (%)	37%	N/A	37%	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the third interim financial report of the Company for the first quarter ended 31 March 2024 announced in compliance with the Listing Requirements.

N/A - Not applicable

The Group's effective tax rate for the current quarter ended 31 March 2024 is higher than the statutory tax rate of 24% mainly due to overprovision of deferred tax assets in previous year and certain expenses not being deductible for tax purposes such as finance costs, professional fees 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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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B8. Utilisation of proceeds from Public Issue

The gross proceeds from the IPO amounting to RM42.53 million and the status of utilisation of proceeds as at 31 March 2024 is as follows:

Utilisation of proceeds ⁽¹⁾	Proposed utilisation RM '000	Actual utilisation RM '000	Balance RM '000	Estimated timeframe for utilisation from the date of the Listing
Capital expenditure for the establishment of Semenyih Manufacturing Premises	5,100	-	5,100	Within 24 months
Working capital	12,329	-	12,329	Within 36 months
Repayment of bank borrowings	20,000	17,697	2,303	Within 5 months
Estimated listing expenses	5,100	5,066	34	Within 1 month
Total	42,529	22,763	19,766	

Note:

(1) The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus dated 27 December 2023.

N/A - Not applicable

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	As at 31 March 2024			
	Denominated in			
	RM RM'000	USD RM'000	SGD RM '000	Total RM '000
Non-current				
Term loans	9,138	-	-	9,138
Hire purchase	356	-	185	541
	<u>9,494</u>	<u>-</u>	<u>185</u>	<u>9,679</u>
Current				
Term loan	1,219	-	-	1,219
Bankers' acceptance	2,583	-	-	2,583
Onshore foreign currency loan	-	46,304	-	46,304
Structured and trade commodity financing	309	-	-	309
Hire purchase	177	-	153	330
	<u>4,288</u>	<u>46,304</u>	<u>153</u>	<u>50,745</u>
Total	<u>13,782</u>	<u>46,304</u>	<u>338</u>	<u>60,424</u>

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B9. Group borrowings and debt securities (continued)

	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>

All the borrowings of the Group are secured by way of charges or lien holder caveat 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 31 March 2024, 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	10,458	115	-

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 RM115,123 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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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 21 May 2024, the debt owing to TSA Industries by the First to Fifth Defendants is RM34,253,713.79 (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.

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 2nd Defendant in the High Court as he is an undischarged bankrupt. TSA Industries' originating summons application put on hold pending its leave application in the Bankruptcy Court.

On 6 March 2024, the leave application obtained from the Bankruptcy Court to commence action against one of the Defendants. On 25 March 2024, the Court gave direction that all Defendants to file their Affidavit in Reply on or before 8 April 2024 while TSA Industries to file Affidavit in Reply on or before 22 April 2024. On 27 May 2024, the Court has allowed TSA Industries' application for the Director General of Insolvency to return TSA Industries' money in Teoh Nam Hooi and Jennifer Yen's bank accounts to TSA Industries.

The quantum cannot be determined at this juncture as it depends on the sums that are held in the respective defendant banks. The solicitors are attending to the necessary to assist in the recovery.

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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. 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		3 months ended	
	31 March		31 March	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
Profit attributable to ordinary shareholders (RM '000)	2,113	N/A	2,113	N/A
Weighted average number of ordinary shares ('000)	281,259	N/A	281,259	N/A
Basic earnings per share (sen)	0.75	N/A	0.75	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the third interim financial report of the Company for the first quarter ended 31 March 2024 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 the completion of the IPO of the Company on 2 February 2024 in issuance of 77,325,000 new ordinary shares.

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 first quarter of 2024.

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

B13. 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 March		Cumulative Quarter 3 months ended 31 March	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Depreciation of:				
- property, plant and equipment	464	N/A	464	N/A
- right-of-use assets	437	N/A	437	N/A
Inventories written down	126	N/A	126	N/A
Finance costs	998	N/A	998	N/A
Finance income	(327)	N/A	(327)	N/A
Realized loss on foreign exchange	32	N/A	32	N/A
Unrealized loss on foreign exchange	709	N/A	709	N/A
Unrealized gain on derivatives	(404)	N/A	(404)	N/A

Note:

(1) There are no comparative figures for the preceding corresponding quarter and period as this is the third interim financial report of the Company for the first quarter ended 31 March 2024 announced in compliance with the Listing Requirements.

N/A - Not applicable

B14. Authorisation for issue

This interim financial report of TSA Group for the first quarter ended 31 March 2024 was authorized for issuance by the Board of Directors on 28 May 2024.