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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 Third Quarter Ended 30 September 2024**

TSA GROUP BERHAD

202201010003 (1455700-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024⁽¹⁾**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30 September		30 September	
		2024 RM '000	2023 RM '000	2024 RM '000	2023 RM '000
Revenue	A8	74,490	83,546	213,784	249,557
Cost of sales		(59,041)	(69,535)	(169,016)	(203,262)
Gross profit ("GP")		15,449	14,011	44,768	46,295
Other income		8,531	1,419	10,949	4,357
Administrative expenses		(5,026)	(4,255)	(14,989)	(14,980)
Distribution expenses		(3,371)	(2,578)	(9,612)	(9,826)
Finance costs		(1,253)	(1,714)	(3,366)	(3,736)
Other expenses		(3,580)	48	(6,691)	(4,920)
Net impairment loss on impairment of financial assets		(624)	4	(1,873)	(46)
Profit before tax ("PBT")	B13	10,126	6,935	19,186	17,144
Tax expense	B5	(2,322)	(2,219)	(5,103)	(4,946)
Profit after tax ("PAT")		7,804	4,716	14,083	12,198
Other comprehensive income					
<u>Item that will be reclassified subsequently to profit and loss</u>					
Foreign currency translation differences		(1,117)	21	(1,119)	640
Total Comprehensive income		6,687	4,737	12,964	12,838

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024⁽¹⁾ (CONTINUED)

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30 September		30 September	
		2024	2023	2024	2023
		RM '000	RM '000	RM '000	RM '000
Profit after tax attributable to :					
- Owners of the Company		7,706	4,581	14,011	11,552
- Non-controlling interests		98	135	72	646
		7,804	4,716	14,083	12,198
Total comprehensive income attributed to :					
- Owners of the Company		6,816	4,598	13,120	12,065
- Non-controlling interest		(129)	139	(156)	773
		6,687	4,737	12,964	12,838
Earnings per share (sen)					
Basic /Diluted	B12	2.49 ⁽²⁾	91.60 ⁽³⁾	4.67 ⁽²⁾	230.99 ⁽³⁾

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) 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 initial public offering ("IPO") of the Company on 2 February 2024 in issuance of 77,325,000 new ordinary shares.
- (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.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024⁽¹⁾

		30.9.2024	31.12.2023
		RM '000	RM '000
	Note	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		40,028	40,219
Right-of-use assets		14,743	15,620
Deferred tax assets		1,068	1,071
Total non-current assets		55,839	56,910
Current assets			
Inventories		89,903	59,348
Trade receivables		68,025	76,975
Other receivables, deposit and prepayment		9,758	9,874
Amount owing by a related party		519	252
Current tax assets		1	346
Fixed deposits with licensed banks		11,758	553
Cash and bank balances		56,551	18,753
Total current assets		236,515	166,101
Total assets		292,354	223,011
Equity			
Share capital		160,732	120,000
Reserves		32,802	19,682
		193,534	139,682
Non-controlling interests		2,812	3,247
Total equity		196,346	142,929
Non-current liabilities			
Lease liabilities		908	1,454
Borrowings	B9	9,075	9,789
Deferred tax liabilities		1,705	1,733
Total non-current liabilities		11,688	12,976

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024⁽¹⁾ (CONTINUED)

		30.9.2024 RM '000 (Unaudited)	31.12.2023 RM '000 (Audited)
Current Liabilities			
Trade payables		7,892	6,596
Other payables and accruals		7,171	7,505
Current tax liabilities		2,199	823
Lease liabilities		1,197	1,391
Derivative liabilities	B10	3,431	289
Borrowings	B9	62,430	50,502
Total current liabilities		84,320	67,106
Total liabilities		96,008	80,082
Total equity and liabilities		292,354	223,011
Number of ordinary shares ('000)		309,300⁽²⁾	231,975
Net assets per ordinary share attributable to owners of the Company (RM)		0.63⁽³⁾	0.60⁽⁴⁾

Notes:

- (1) The basis of preparation of 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 THIRD QUARTER ENDED 30 SEPTEMBER 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024⁽¹⁾ (CONTINUED)

	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 at 1 January 2024	120,000	1,414	(115,000)	133,268	139,682	3,247	142,929
Profit after taxation for the financial period	-	-	-	14,011	14,011	72	14,083
Other comprehensive income for financial period							
- Foreign currency translation differences	-	(891)	-	-	(891)	(228)	(1,119)
Total comprehensive income for financial period	-	(891)	-	14,011	13,120	(156)	12,964
Issuance of ordinary shares pursuant to the IPO	42,529	-	-	-	42,529	-	42,529
Less : Share issuance expenses pursuant to the IPO	(1,797)	-	-	-	(1,797)	-	(1,797)
Distribution to owners of the Company:							
- by a subsidiary to non-controlling interests	-	-	-	-	-	(279)	(279)
As at 30 September 2024	160,732	523	(115,000)	147,279	193,534	2,812	196,346

Note:

- (1) The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024 ⁽¹⁾**

	9-months ended 30 September 2024	9-months ended 30 September 2023
	RM '000	RM '000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before taxation:	19,186	17,144
Adjustments for:		
Depreciation:		
- Property, plant and equipment	1,382	1,490
- Right-of-use assets	1,300	905
Impairment losses on:		
- Trade receivables	1,873	46
Interest expenses	3,366	3,736
Property, plant and equipment written off	-	41
Bad debts recovered	(22)	(76)
Gain on disposal of property, plant and equipment	-	(6)
Interest income	(1,341)	(398)
Inventories written down/(back)	903	(162)
Reversal of impairment losses on:		
- Trade receivables	-	(9)
Unrealized (gain)/loss on foreign exchange	(3,315)	3,032
Unrealized loss/(gain) on derivatives	3,142	(1,291)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	26,474	24,452
Increase in inventories	(32,432)	(1,600)
Decrease/(Increase) in trade and other receivables	3,521	(3,951)
Increase/(Decrease) in trade and other payables	1,031	(7,363)
(Increase)/Decrease in amount owing by a related party	(267)	41
OPERATING PROFIT AFTER WORKING CAPITAL CHANGES	(1,673)	11,579
Interest paid	(3,339)	(3,738)
Interest received	1,236	387
Income tax paid	(3,391)	(7,683)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(7,167)	545

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024**UNAUDITED COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024 (CONTINUED) ⁽¹⁾**

	9-months ended 30 September 2024 RM '000	9-months ended 30 September 2023 RM '000
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of Property, plant and equipment	(1,279)	(7,379)
Proceeds from disposal of Property, plant and equipment	-	6
NET CASH FOR INVESTING ACTIVITIES	(1,279)	(7,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(279)	(20,000)
Repayment of lease liabilities	(1,159)	(751)
Net drawdown/(repayment) of hire purchases	183	(180)
Net repayment of term loans	(878)	(901)
Net drawdown of onshore foreign currency loan	15,311	27,626
Net drawdown/(repayment) of structured and trade commodity financing	11,190	(579)
Net repayment of banker's acceptances	(8,734)	(1,372)
Net repayment to directors	-	(844)
Fixed deposits placement	(11,100)	-
Issuance of new ordinary shares	42,529	-
NET CASH FROM FINANCING ACTIVITIES	47,063	2,999
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,617	(3,829)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(819)	(642)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	18,753	31,423
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	56,551	26,952

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.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 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 THIRD QUARTER ENDED 30 SEPTEMBER 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
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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 period 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 financial period under review.

A6. Debt and equity securities

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

The Board is pleased to declare an interim single tier dividend of 5 sen per ordinary share in respect of the financial year ending 31 December 2024. The dividend is proposed to be payable on 27 December 2024 to shareholders whose name appears in the Record of Depositors as at the close of business on 12 December 2024.

A depositor shall qualify for entitlement to the dividend only in respect of :

- (i) shares transferred into the depositor's securities account before 5.00 p.m. on 12 December 2024 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

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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		Cumulative Quarter 9 months ended	
	30 September		30 September	
	2024	2023	2024	2023
	RM '000	RM '000	RM '000	RM '000
Revenue:				
- Malaysia	59,781	67,714	175,033	201,006
- Outside Malaysia	14,709	15,832	38,751	48,551
	<u>74,490</u>	<u>83,546</u>	<u>213,784</u>	<u>249,557</u>

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 is now fixed for hearing on 17 June 2025.

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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.

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 was obtained from the Bankruptcy Court to commence action against the Second Defendant. 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.

To date, TSA Industries has recovered an aggregate sum of RM3,264,427.93 from defendants' bank accounts pursuant to the court order. Out of RM3,192,221.67 was recognized in the third quarter ended 30 September 2024 with the remaining RM72,206.26 to be recorded in the fourth quarter ending 31 December 2024. With this, all the funds in the Defendants' banks have been recovered.

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 THIRD QUARTER ENDED 30 SEPTEMBER 2024

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

A10. Capital commitments

	<u>30 September 2024</u>
Approved and contracted for	RM'000
Purchase of machineries	15,201
Contracted consultant	308
	<u>15,509</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:

	<u>Individual Quarter</u> 3 months ended 30 September		<u>Cumulative Quarter</u> 9 months ended 30 September	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	RM'000	RM'000	RM'000	RM'000
Sales	505	121	844	296
Purchase	2	7	12	66
Rental expenses	5	4	14	11

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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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 and up to the date of this report that have not been reflected in the interim financial report.

A14. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

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

B1. Review of performance

	Current Quarter				Year-To-Date-Ended			
	30.09.2024	30.9.2023	Variances		30.09.2024	30.9.2023	Variances	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	74,490	83,546	(9,056)	(10.8)	213,784	249,557	(35,773)	(14.3)
Gross profit	15,449	14,011	1,438	10.3	44,768	46,295	(1,527)	(3.3)
Profit before tax	10,126	6,935	3,191	46.0	19,187	17,144	2,043	11.9
Profit after tax	7,804	4,716	3,088	65.5	14,083	12,198	1,885	15.5

The Group recorded revenue of RM74.5 million in the third quarter of 2024, representing a decrease of RM9.1 million (10.8%) compared to RM83.5 million in the same quarter in preceding year. The decline was mainly attributed to softer market demand and lower average selling price.

Despite the lower revenue, the Group achieved a higher profit before tax of RM10.1 million in the third quarter of 2024 reflecting an increase of RM3.2 million or 46.0% compared to RM6.9 million in third quarter of 2023. The increase was mainly driven by higher other income from the recovery of monies from legal case of RM3.2 million.

For the cumulative nine months financial period ended 30 September 2024, the Group's revenue was RM213.8 million, with RM175.0 million (81.9%) from the Malaysian market and RM38.8 million (18.1%) from sales outside the Malaysian market. The Group's revenue decreased by RM35.8 million (14.3%) to RM213.8 million for the financial period ended 30 September 2024 compared to RM249.6 million for the financial period ended 30 September 2023, mainly due to softer market demand and lower average selling price.

The Group's profit before tax increased to RM19.2 million compared to RM17.1 million for the financial period ended 30 September 2023. The increase was mainly due to higher other income from the recovery of monies from legal case of RM3.2 million, partially offset by the reduction in gross profit of RM1.5 million.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

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

B2. Comparison with the preceding quarter results

3Q2024 vs 2Q2024

	Current Quarter 30.9.2024	Preceding Quarter 30.6.2024	Changes	
	RM '000	RM '000	RM '000	%
Revenue	74,490	74,644	(154)	(0.2)
Gross profit	15,449	16,439	(990)	(6.0)
Profit before tax	10,126	5,806	4,320	74.4
Profit after tax	7,804	4,215	3,589	85.1

The Group's revenue for the current financial quarter slightly decreased by RM0.2 million (0.2%) to RM74.5 million, compared to RM74.6 million in the preceding quarter. Despite the slight drop in the revenue, the Group's profit before tax rose to RM10.1 million, an increase of RM4.3 million (74.4%), while profit after tax improved to RM7.8 million for the current financial quarter, an increase of RM3.6 million (85.1%).

The improvement in profit before tax and profit after tax was mainly contributed by higher other income from the recovery of monies from legal case of RM3.2 million, realised and unrealised foreign exchange gains of RM5.5 million. This was partially offset by unrealised derivatives loss of RM3.5 million and a reduction in gross profit of RM1.0 million.

B3. Prospects

The Group remains committed to expanding its core business in the trading of stainless steel and other metal products, and the manufacturing of stainless steel pipes.

The Group's plan to establish a stainless steel cold rolling line is currently pending final approval from the relevant authorities to commence earthworks for the construction of the manufacturing premise in Semenyih.

The stainless steel industry is dependent on demand from among others, the manufacturing sector and construction industry. Global geopolitical and economic factors have a significant impact on both the demand and the pricing of stainless steel and other metal commodities. The Group continues to remain vigilant and optimistic on the prospects and outlook of the Group.

B4. Variance of actual profits vs profit forecast

Not applicable as there were no profit forecast and profit guarantee published in the current financial quarter under review.

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B5. Income tax expense

The breakdown of income tax expenses are as follows:

	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Tax expenses				
- Current year	2,602	1,131	5,262	4,795
- Prior year	(125)	(211)	(125)	(211)
Deferred tax expenses	(155)	1,299	(34)	362
	<u>2,322</u>	<u>2,219</u>	<u>5,103</u>	<u>4,946</u>
Effective tax rate (%)	23%	32%	27%	29%

The Group's effective tax rate for the current quarter was 23%, lower than the statutory tax rate, primarily due to non-taxable income from the partial recovery amount and the overprovision of tax expenses in the prior year. The Group's effective tax rate for the financial period ended 30 September 2024 was higher than the statutory tax rate mainly due to overprovision of deferred tax assets in previous year and certain non-deductible expenses for tax purposes such as finance costs, professional fees.

B6. Investment in quoted securities

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

B7. Status of corporate proposals

There was no corporate proposal announced by the Group but not completed as at the date of this interim financial report.

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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 30 September 2024 is as follows:

Utilisation of proceeds ⁽¹⁾	Proposed utilisation	Actual utilisation	Balance	Estimated timeframe for utilisation from the date of the Listing
	RM '000	RM '000	RM '000	
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	20,000	-	Within 5 months
Estimated listing expenses	5,100	5,100	-	Within 1 month
Total	42,529	25,100	17,429	

Note:

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

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B9. Group borrowings and debt securities

	As at 30 September 2024			
	Denominated in			
	RM RM'000	USD RM'000	SGD RM '000	Total RM '000
Non-current				
Term loans	8,550	-	-	8,550
Hire purchase	407	-	118	525
	<u>8,957</u>	<u>-</u>	<u>118</u>	<u>9,075</u>
Current				
Term loan	1,218	-	-	1,218
Bankers' acceptance	-	-	-	-
Onshore foreign currency loan	-	47,263	-	47,263
Structured and trade commodity financing	-	13,684	-	13,684
Hire purchase	155	-	110	265
	<u>1,373</u>	<u>60,947</u>	<u>110</u>	<u>62,430</u>
Total	<u>10,330</u>	<u>60,947</u>	<u>228</u>	<u>71,505</u>

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B9. Group borrowings and debt securities (continued)

As at 31 December 2023

	Denominated in			Total RM '000
	RM RM'000	USD RM'000	SGD 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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B10. Derivative financial instruments

As at 30 September 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	41,242	-	3,431

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 RM3.4 million has been recognised 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, this 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 claimed against the First to Sixth Defendants for, amongst others, the sum of RM31,784,100.98 or such other sum as the Court deems fit and just.

TSA Industries also claimed 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.

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) ("Appeal") against the decision of the Court in relation to the Sixth Defendant. The appeal is now fixed for hearing on 17 June 2025. The solicitors acting for TSA Industries are 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. TSA Industries has recovered an aggregate sum of RM22,405.84 from 2 of the garnishee applications filed with the Court.

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 was put on hold pending its leave application in the Bankruptcy Court.

On 6 March 2024, the leave application was obtained from the Bankruptcy Court to commence action against the Second Defendant. 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. To date, TSA Industries has recovered an aggregate sum of RM3,264,427.93 from defendants' bank accounts pursuant to the court order. Out of RM3,192,221.67 was recognized in third quarter ended 30 September 2024, with the remaining RM72,206.26 to be recorded in the fourth quarter ending 31 December 2024. With this, all the funds in the Defendants' banks have been recovered.

As of 21 November 2024, the debt owing to TSA Industries by the First to Fifth Defendants is RM31,448,344.64 (calculated based on the judgment sum, allocator fee, costs and interests of 5% per annum less the sum recovered from the applications to date). Further recovery on the said amount is dependent on the Appeal.

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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 trial dates has been re-scheduled by the Court to 17 March 2025 - 21 March 2025.

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 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary shareholders (RM'000)	7,706	4,581	14,011	11,552
Weighted average number of ordinary shares ('000)	309,300	5,001	299,987	5,001
Basic earnings per share (sen)	2.49 ⁽¹⁾	91.60 ⁽²⁾	4.67 ⁽¹⁾	230.99 ⁽²⁾

Note:

- (1) 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.
- (2) 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 2024.

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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 30 September		Cumulative Quarter 9 months ended 30 September	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Net impairment loss/(reversal of impairment) on:				
- trade receivables	624	(4)	1,873	46
Depreciation of:				
- property, plant and equipment	461	478	1,382	1,490
- right-of-use assets	428	422	1,300	905
Property, plant and equipment written off	-	11	-	41
Inventories written down/(back)	510	(162)	903	(162)
Gain on disposal of property, plant and equipment	-	-	-	(6)
Finance costs	1,253	1,714	3,366	3,736
Finance income	(503)	(151)	(1,341)	(398)
Realised gain on foreign exchange	(1,652)	277	(1,491)	(2,347)
Unrealised gain on foreign exchange	(3,858)	(900)	(3,315)	3,032
Unrealised loss on derivatives	3,545	(1,291)	3,142	(1,291)
Recovery of monies from legal case	(3,192)	-	(3,192)	-

B14. Authorisation for issue

This interim financial report of TSA Group for the third quarter ended 30 September 2024 was authorized for issuance by the Board of Directors on 27 November 2024.