

**Perusahaan Sadur Timah Malaysia
(Perstima) Berhad**
(Company No. 49971-D)
(Incorporated in Malaysia)

**Interim Financial Report
31 December 2017**

Perusahaan Sadur Timah Malaysia (Perstima) Berhad

(Company No. 49971-D)
(Incorporated in Malaysia)

Notes to the interim financial report

A. Explanatory Notes to the Interim Financial Statements – MFRS 134

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Board.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2017.

2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 March 2017 were prepared according with MFRS. The significant accounting policies adopted in preparing this condensed financial report are consistent with those of the audited financial statements for the year ended 31 March 2017.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

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MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (continued)

- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective from a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial year when the above standards, amendments and interpretations become effective.

The initial application of these standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group and the Company upon their first adoption except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115,

(iii) MFRS 16, Leases (continued)

Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

3. Audit Report

The most recent audited financial statements for the year ended 31 March 2017 was not subject to any qualification.

4. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the current quarter.

5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flow that are unusual because of their nature, size or incidence for the financial period under review.

6. Changes in Estimates

Not applicable as there were no estimates being reported during the prior periods.

7. Debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the period under review.

8. Dividends paid

	Period ended 31.12.2017 RM'000
Ordinary	
2017 Final paid : dividend of 20.0 sen per ordinary share	19,861
	<hr/>
	19,861
	<hr/>

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9. Segment information

		Period ended 31.12.2017
	Revenue RM'000	Profit before Tax RM'000
Malaysia	499,366	20,526
Vietnam	215,146	1,677
	<hr/>	<hr/>
	714,512	22,203
Inter-segment elimination	(8,782)	(10,744)
	<hr/>	<hr/>
Segment results	705,730	11,459
Finance costs	--	(1,030)
Interest income	--	2,120
	<hr/>	<hr/>
	705,730	12,549
	<hr/>	<hr/>

10. Property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual report.

11. Capital commitments

	31.12.2017 RM'000
<i>Property, plant and equipment</i>	
Authorised but not contracted for	--
Contracted but not provided for in the financial statements	--
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12. Events subsequent to the statement of financial position date

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period under review.

13. Changes in composition of the Group

There were no changes in the composition of the Group during the period under review, including business combination, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

14. Changes in contingent liabilities

There were no changes in contingent liabilities since the last annual statement of financial position as at 31 March 2017.

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B. Additional information required by Bursa Securities Main Market Listing Requirements

1. Review of Group performance and current year prospects

Comparison with corresponding period in the previous year

	Oct - Dec 2017	Oct - Dec 2016	Changes		Apr-Dec 2017	Apr-Dec 2016	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
- Malaysia	161,901	165,391	(3,490)	(2.1)	499,366	442,723	56,643	12.8
- Vietnam	74,776	70,836	3,940	5.6	215,146	182,876	32,270	17.6
Consol Adjustment	(2,785)	(3,186)	(401)	(12.6)	(8,782)	(16,905)	8,123	48.1
Total	233,892	233,041	851	0.4	705,730	608,694	97,036	15.9
Profit/(loss) before tax								
- Malaysia	5,112	11,537	(6,425)	(55.7)	20,483	47,505	(27,022)	(56.9)
- Vietnam	(541)	6,352	(6,893)	>(100.0)	2,810	14,453	(11,643)	(80.6)
Consol Adjustment	35	35	-	-	(10,744)	(11,640)	(896)	(7.7)
Total	4,606	17,924	(13,318)	(74.3)	12,549	50,318	(37,769)	(75.1)

The Group's revenue for the quarter ended 31 December 2017 ("Current Quarter") compared with the quarter ended 31 December 2016 ("Previous Year Corresponding Period") increased by RM0.851 million (0.4%) due to higher selling price despite lower sales volume. The Group's profit before taxation for the Current Quarter compared with the Previous Year Corresponding Period decreased by RM13.3 million (74.3%) due to lower profit margin coupled with lower sales volume during the Current Quarter.

For Malaysia, the Company's revenue for the Current Quarter decreased by RM3.5 million (2.1%) as compared to the Previous Year Corresponding Period due to lower sales volume despite higher selling price. The Company's profit before taxation for the Current Quarter of RM5.1 million was lower as compared to RM11.5 million in the Previous Year Corresponding Period due to the lower profit margin and lower sales volume. The lower profit margin was due to higher production cost not fully passed to customers in order to maintain price competitiveness for the period under review.

For Vietnam, the subsidiary Company's revenue increased by RM3.9 million (5.6%) compared with the Previous Year Corresponding Period due to higher sales volume coupled with higher selling price. The subsidiary Company's loss before taxation for the Current Quarter of RM0.5 million was lower compared with profit before taxation of RM6.4 million for the Previous Year Corresponding Period due to lower profit margin despite higher sales volume as the subsidiary Company was not able to pass the production cost hike to customers in order to maintain price competitiveness for the Current Quarter.

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Comparison with preceding quarter

	Oct - Dec 2017	July - Sep 2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	161,901	164,829	(2,928)	(1.8)
- Vietnam	74,776	72,401	2,375	3.3
Consol Adjustment	(2,785)	(2,888)	103	3.6
Total	233,892	234,342	(450)	(0.2)
Profit/(loss) before tax				
- Malaysia	5,112	14,526	(9,414)	(64.8)
- Vietnam	(541)	734	(1,275)	>(100.0)
Consol Adjustment	35	(10,814)	10,849	>100.0
Total	4,606	4,446	160	3.6

For the Current Quarter, the Group recorded a revenue of RM233.9 million compared with RM234.3 million in the quarter ended 30 September 2017 (“Previous Quarter”). The Group’s lower revenue was due to lower selling price despite higher sales volume. The Group recorded a profit before tax of RM4.6 million compared with RM4.4 million in the Previous Quarter. The higher profit before tax was due to higher profit margin coupled with higher sales volume.

For Malaysia, the Company recorded a revenue of RM161.9 million as compared to RM164.8 million in the Previous Quarter. The Company’s revenue was lower due to lower sales volume coupled with lower selling price. The Company recorded a profit before tax of RM5.1 million compared with RM14.5 million in the Previous Quarter. The lower profit before tax for the Current Quarter was mainly due to dividend income received from the subsidiary Company of RM10.8 million in the Previous Quarter offset by better profit margin despite lower sales volume for the Current Quarter.

For Vietnam, the subsidiary Company recorded a revenue of RM74.8 million as compared to RM72.4 million in the Previous Quarter. The subsidiary Company’s revenue was higher due to higher sales volume despite lower selling price. The Company recorded a loss before tax of RM0.5 million compared with a profit before tax of RM0.7 million in the Previous Quarter. The loss before tax for the Current Quarter was due to the subsidiary Company was not able to pass the production cost hike to customers for the Current Quarter in order to maintain price competitiveness despite higher sales volume.

Current year prospects

The Board of Directors expects the Group’s operating environment to remain challenging and competitive due to higher presence of imports from overseas. Although this factor will affect the growth and profitability of the Group, the Management will continue with its production efficiency, cost saving measures and marketing efforts in order for the Group to be profitable.

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2. Profit forecast

Not applicable as no profit forecast was published.

3. Tax expense

	3 months quarter ended 31 December		Period ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax expense/ (recoverable)				
Current period	1,557	3,975	3,847	11,731
Under/ (Over) provision in prior years	--	--	--	--
	1,557	3,975	3,847	11,731
Deferred tax income				
Addition/(Reversal) of temporary differences	(349)	(208)	(1,047)	(614)
Under/ (Over) provision in prior years	--	--	--	--
	(349)	(208)	(1,047)	(614)
	<u>1,208</u>	<u>3,767</u>	<u>2,800</u>	<u>11,117</u>

The effective rate of taxation for the year was lower than the statutory taxation rate mainly due to different tax rates in foreign jurisdictions.

4. Unquoted investments and properties

There were no profits on sale of unquoted investments or properties as there were no disposals of unquoted investments or properties during the period under review.

5. Quoted investments

There were no purchases or disposals of quoted securities during the period under review.

6. Status of corporate proposals announced

There were no corporate proposals announced nor were there any corporate proposals not completed as at the date of this quarterly report.

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7. Borrowing and debt securities

	31.12.2017 RM'000	31.12.2016 RM'000
Long Term - secured		
Term Loan	--	--
Short Term – unsecured		
Bank overdrafts	--	--
Bankers' acceptances	20,306	--
Term Loan/ Trust Receipts/ Revolving Credit	--	--
Onshore Foreign Currency Loan	3,806	5,474
	<u>24,112</u>	<u>5,474</u>

The increase in short term borrowing by RM18.6 million during the period was due to financing of the purchase of raw materials.

8. Changes in material litigations

There were no material litigations as at the date of this quarterly report.

9. Dividends

No dividend has been declared for the period ended 31 December 2017.

10. Basic earnings per share

Basic earnings per share

The calculation of basic earnings per share for the period is based on the net profit attributable to ordinary shareholders of RM9,749,000 and the weighted average number of ordinary shares in issue during the quarter of 99,304,720.

11. Profit before tax

	3 months quarter ended 31 December		Period ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging/(crediting)				
Depreciation of property, plant and equipment	4,654	5,029	15,191	14,873
Interest expense	355	52	1,030	166
Interest income	(843)	(771)	(2,120)	(2,418)
Unrealised loss/(gain) on foreign exchange	--	--	--	--
Hostel rental income	(9)	(9)	(27)	(26)
Realised loss/(gain) on foreign exchange	(60)	160	(163)	(887)

Other than the above items, there were no impairment of assets, provision for and write off of receivables and inventories, gain or loss on disposal of quoted or unquoted investments or properties, gain or loss on derivatives and exceptional items for the current quarter and financial period ended 31 December 2017.

12. Disclosure of realised and unrealised profits/(losses)

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Securities”) had issued directives to all listed issuers to disclose a breakdown of the unappropriated profits or accumulated losses into unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

Pursuant to the directive, the breakdown of the retained profits of the Group as at 31 December 2017, into realised and unrealised profits is as follows:

	As at 31.12.2017 RM'000	As at 31.03.2017 RM'000
Total retained profits of the Group		
- Realised	292,647	303,969
- Unrealised	(324)	(1,429)
	<u>292,323</u>	<u>302,540</u>
Less: Consolidation adjustments	(789)	(894)
Total retained profits as per statement of financial position	<u>291,534</u>	<u>301,646</u>

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1 “*Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*”, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.