

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

**Interim Financial Report  
31 March 2018**

# 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)*

***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 do not anticipate any significant impact on financial position and performance based on the current accounting treatment of major sources of revenue.

**(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 have performed an assessment of the impact for MFRS 9 on the financial statement based on an analysis of the financial assets and financial liabilities as at 31 March 2018 and concluded no significant impact to the Group and the Company. The Group and the Company measurement remained the same as currently under MFRS 139.

**(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, *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**

Ordinary

2017 Final paid : dividend of 20.0 sen per ordinary share

**Year ended  
31.03.2018  
RM'000**

19,861

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19,861

## 9. Segment information

	Revenue RM'000	Year ended 31.03.2018 Profit before Tax RM'000
Malaysia	656,564	30,464
Vietnam	293,984	1,034
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	950,548	31,498
Inter-segment elimination	(11,682)	(3,143)
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<b>Segment results</b>	938,866	28,355
Finance costs	--	(1,242)
Interest income	--	2,854
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	938,866	29,967
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## 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

	31.03.2018 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.

## 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*

	Jan - Mar 2018	Jan - Mar 2017	Changes		Apr-Mar 2018	Apr-Mar 2017	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
- Malaysia	157,198	169,302	(12,104)	(7.1)	656,564	612,025	74,506	12.2
- Vietnam	78,838	65,655	13,183	20.1	293,984	248,531	45,453	18.3
Consol Adjustment	(2,900)	(2,858)	42	1.5	(11,682)	(19,763)	(8,081)	(40.9)
Total	233,136	232,099	1,037	0.4	938,866	840,793	98,073	11.7
Profit/(loss) before tax								
- Malaysia	10,174	16,657	(6,483)	(38.9)	30,657	64,162	(33,505)	(52.2)
- Vietnam	(357)	4,382	(4,739)	>(100.0)	2,453	18,839	(16,386)	(87.0)
Consol Adjustment	7,601	33	-	-	(3,143)	(11,607)	8,464	72.9
Total	17,418	21,072	(3,654)	(17.3)	29,967	71,394	(41,427)	(58.0)

The Group's revenue for the quarter ended 31 March 2018 ("Current Quarter") compared with the quarter ended 31 March 2017 ("Previous Year Corresponding Period") increased by RM1.0 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 RM3.6 million (17.3%) 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 RM12.1 million (7.1%) 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 RM10.2 million was lower as compared to RM16.7 million in the Previous Year Corresponding Period due to financial year adjustment coupled with lower sales volume despite higher profit margin.

For Vietnam, the subsidiary Company's revenue increased by RM13.2 million (20.1%) 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 RM0.4 million was lower compared with profit before taxation of RM4.4 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.

*Comparison with preceding quarter*

	Jan - Mar 2018	Oct - Dec 2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	157,198	161,901	(4,703)	(2.9)
- Vietnam	78,838	74,776	4,062	5.4
Consol Adjustment	(2,900)	(2,785)	115	4.1
Total	233,136	233,892	(756)	(0.3)
Profit/(loss) before tax				
- Malaysia	10,174	5,112	5,062	99.0
- Vietnam	(357)	(541)	184	34.0
Consol Adjustment	7,601	35	7,566	>100.0
Total	17,418	4,606	12,812	>100.0

For the Current Quarter, the Group recorded a revenue of RM233.1 million compared with RM233.9 million in the quarter ended 31 December 2017 ("Previous Quarter"). The Group's lower revenue was due to lower sales volume despite higher selling price. The Group recorded a profit before tax of RM17.4 million compared with RM4.6 million in the Previous Quarter. The higher profit before tax was due to financial year adjustment coupled with higher profit margin despite lower sales volume.

For Malaysia, the Company recorded a revenue of RM157.2 million as compared to RM161.9 million in the Previous Quarter. The Company's revenue was lower due to lower sales volume despite higher selling price. The Company recorded a profit before tax of RM10.2 million compared with RM5.1 million in the Previous Quarter. The higher profit before tax for the Current Quarter was mainly due to financial year adjustment coupled with better profit margin despite lower sales volume for the Current Quarter.

For Vietnam, the subsidiary Company recorded a revenue of RM78.8 million as compared to RM74.8 million in the Previous Quarter. The subsidiary Company's revenue was higher due to higher sales volume coupled with higher selling price. The Company recorded a loss before tax of RM0.4 million compared with RM0.5 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.

## 2. Profit forecast

Not applicable as no profit forecast was published.

## 3. Tax expense

	3 months quarter ended 31 March		Year ended 31 March	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax expense/ (recoverable)				
Current period	5,172	3,632	7,972	15,363
Under/ (Over) provision in prior years	(290)	(125)	(290)	(125)
	4,882	3,507	7,682	15,238
Deferred tax income				
Addition/(Reversal) of temporary differences	(368)	1,624	(368)	1,010
Under/ (Over) provision in prior years	25	5	25	5
	(343)	1,629	(343)	1,015
	4,539	5,136	7,339	16,253

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.



## 7. Borrowing and debt securities

	31.03.2018 RM'000	31.03.2017 RM'000
Long Term - secured		
Term Loan	--	--
Short Term – unsecured		
Bank overdrafts	--	--
Bankers' acceptances	31,779	17,060
Term Loan/ Trust Receipts/ Revolving Credit	--	--
Onshore Foreign Currency Loan	2,630	6,753
	<u>34,409</u>	<u>23,813</u>

The increase in short term borrowing by RM10.6 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

- a) An interim single tier dividend of 10.0 sen per ordinary share (previous corresponding period: single tier 20.0 sen per share) in respect of the financial year ended 31 March 2018 has been paid on 24 May 2018.
- b) The Directors proposed a final single tier dividend of 20.0 sen per ordinary share in respect of financial year ended 31 March 2018 subject to approval of the shareholders at the forthcoming Annual General Meeting.

## 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 RM22,628,000 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 March		Year ended 31 March	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Depreciation of property, plant and equipment	4,457	5,042	19,648	19,955
Interest expense	212	79	1,242	245
Interest income	(734)	(682)	(2,854)	(3,100)
Unrealised loss/(gain) on foreign exchange	--	6	--	6
Hostel rental income	(10)	(9)	(37)	(35)
Realised loss/(gain) on foreign exchange	(169)	(1,581)	(332)	(2,468)

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 year ended 31 March 2018.