

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

**Interim Financial Report
30 June 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 2018. 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 2018.

2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 March 2018 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 2018.

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 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)*
- 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)*
- Amendments to MFRS 1140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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 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 2018 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

	Quarter ended 30.06.2018 RM'000
Ordinary	
2018 Interim paid : dividend of 10.0 sen per ordinary share	9,930
	<hr/>
	<u>9,930</u>

9. Segment information

	Revenue RM'000	Quarter ended 30.06.2018 Profit before Tax RM'000
Malaysia	160,971	12,742
Vietnam	81,330	2,528
	<hr/> 242,301	<hr/> 15,270
Inter-segment elimination	(3,467)	35
	<hr/> 238,834	<hr/> 15,305
Finance costs	--	(340)
Interest income	--	821
	<hr/> 238,834	<hr/> 15,786

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

	30.06.2018 RM'000
<i>Property, plant and equipment</i>	
Authorised but not contracted for	--
Contracted but not provided for in the financial statements	--
	<hr/> --

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 2018.

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

	Apr - June 2018	Apr - June 2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	160,971	172,636	(11,665)	(6.8)
- Vietnam	81,330	67,969	13,361	19.7
Consol Adjustment	(3,467)	(3,109)	358	11.5
Total	238,834	237,496	1,338	0.6
Profit/(loss) before tax				
- Malaysia	13,013	845	12,168	>100.0
- Vietnam	2,738	2,617	121	4.6
Consol Adjustment	35	35	-	-
Total	15,786	3,497	12,289	>100.0

The Group's revenue for the quarter ended 30 June 2018 ("Current Quarter") compared with the quarter ended 30 June 2017 ("Previous Year Corresponding Period") increased by RM1.3 million (0.6%) 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 increased by RM12.3 million (more than 100%) due to higher profit margin despite lower sales volume during the Current Quarter.

For Malaysia, the Company's revenue for the Current Quarter decreased by RM11.7 million (6.8%) 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 RM13.3 million was higher as compared to RM0.8 million in the Previous Year Corresponding Period due to higher profit margin despite lower sales volume.

For Vietnam, the subsidiary Company's revenue increased by RM13.4 million (19.7%) compared with the Previous Year Corresponding Period due to higher sales volume coupled with higher selling price. The subsidiary Company's profit before taxation for the Current Quarter of RM2.7 million was higher compared with RM2.6 million for the Previous Year Corresponding Period due to higher sales volume despite lower profit margin.

Comparison with preceding quarter

	Apr - June 2018	Jan - Mar 2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	160,971	157,198	3,773	2.4
- Vietnam	81,330	78,838	2,492	3.2
Consol Adjustment	(3,467)	(2,900)	567	19.6
Total	238,834	233,136	5,698	2.4
Profit/(loss) before tax				
- Malaysia	13,013	8,739	4,274	48.9
- Vietnam	2,738	(357)	3,095	>100.0
Consol Adjustment	35	7,601	(7,566)	(99.5)
Total	15,786	15,983	(197)	(1.2)

For the Current Quarter, the Group recorded a revenue of RM238.8 million compared with RM233.1 million in the quarter ended 31 March 2018 ("Previous Quarter"). The Group's higher revenue was due to higher sales volume coupled with higher selling price. The Group recorded a profit before tax of RM15.8 million compared with RM16.0 million in the Previous Quarter. The lower profit before tax was due to financial year adjustment in the Previous Quarter despite higher profit margin and higher sales volume in the Current Quarter.

For Malaysia, the Company recorded a revenue of RM161.0 million as compared to RM157.2 million in the Previous Quarter. The Company's revenue was higher due to higher selling price coupled with slight higher sales volume. The Company recorded a profit before tax of RM13.0 million compared with RM8.7 million in the Previous Quarter. The higher profit before tax for the Current Quarter was mainly due to better profit margin coupled with slight higher sales volume for the Current Quarter.

For Vietnam, the subsidiary Company recorded a revenue of RM81.3 million as compared to RM78.8 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 profit before tax of RM2.7 million compared with a loss before tax of RM0.4 million in the Previous Quarter. The profit before tax for the Current Quarter was due to the higher profit margin coupled with slight 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, in addition to the volatility of Ringgit Malaysia against United States Dollar. 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 30 June		Quarter ended 30 June	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax expense/ (recoverable)				
Current period	3,814	1,009	3,814	1,009
Under/ (Over) provision in prior years	--	--	--	--
	3,814	1,009	3,814	1,009
Deferred tax income				
Addition/(Reversal) of temporary differences	(168)	(349)	(168)	(349)
Under/ (Over) provision in prior years	--	--	--	--
	(168)	(349)	(168)	(349)
	<u>3,646</u>	<u>660</u>	<u>3,646</u>	<u>660</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.

7. Borrowing and debt securities

	30.06.2018	31.03.2018
	RM'000	RM'000
Long Term - secured		
Term Loan	--	--
Short Term – unsecured		
Bank overdrafts	--	--
Bankers' acceptances	29,105	31,592
Term Loan/ Trust Receipts/ Revolving Credit	--	--
Onshore Foreign Currency Loan	1,795	2,630
	<u>30,900</u>	<u>34,222</u>

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 Fortieth 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 RM12,140,000 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 30 June		Quarter ended 30 June	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging/(crediting)				
Depreciation of property, plant and equipment	3,419	5,525	3,419	5,525
Interest expense	340	234	340	234
Interest income	(821)	(566)	(821)	(566)
Unrealised loss/(gain) on foreign exchange	--	--	--	--
Hostel rental income	(10)	(9)	(10)	(9)
Realised loss/(gain) on foreign exchange	(173)	171	(173)	171

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 quarter ended 30 June 2018.