

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

**Interim Financial Report
30 September 2019**

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 2019. 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 2019.

2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 March 2019 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 2019.

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 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)*

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

- 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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 Group and the Company do not plan to apply MFRS 16, *Leases* that is effective for annual periods beginning on 1 January 2019 as it does not have any material financial impacts to the current and prior period of financial statements of the Group and the Company upon their first adoption due to low-value items.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

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.

3. Audit Report

The most recent audited financial statements for the year ended 31 March 2019 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 30.09.2019 RM'000
Ordinary	
2019 Interim paid : dividend of 10.0 sen per ordinary share	9,930
2019 Final paid : dividend of 20.0 sen per ordinary share	19,861
	<hr/>
	29,791

9. Segment information

		Period ended 30.09.2019
	Revenue RM'000	Profit before Tax RM'000
Malaysia	321,436	26,623
Vietnam	150,248	8,041
Philippines	--	(843)
	<hr/>	<hr/>
	471,684	33,821
Inter-segment elimination	(6,973)	(8,238)
	<hr/>	<hr/>
Segment results	464,711	25,583
Finance costs	--	(705)
Interest income	--	948
	<hr/>	<hr/>
	464,711	25,826
	<hr/> <hr/>	<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

	30.09.2019 RM'000
<i>Property, plant and equipment</i>	
Authorised but not contracted for	138,287
Contracted but not provided for in the financial statements	101,098
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	<u>239,385</u>

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 2019.

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

	July - Sep 2019	July - Sep 2018	Changes		Apr-Sep 2019	Apr-Sep 2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
- Malaysia	164,422	188,505	(24,083)	(12.8)	321,436	349,746	(28,310)	(8.1)
- Vietnam	79,107	86,661	(7,554)	(8.7)	150,248	167,991	(17,743)	(10.6)
- Philippines	--	--	--	--	--	--	--	--
Consol Adjustment	(3,574)	(3,643)	69	1.9	(6,973)	(7,110)	137	1.9
Total	239,955	271,523	(31,568)	(11.6)	464,711	510,627	(45,916)	(9.0)
Profit/(loss) before tax								
- Malaysia	14,806	11,094	3,712	33.5	26,189	24,107	2,082	8.6
- Vietnam	4,506	4,514	(8)	(0.2)	8,718	7,252	1,466	20.2
- Philippines	(336)	--	(336)	>(100)	(843)	--	(843)	>(100)
Consol Adjustment	(8,273)	35	(8,308)	>(100)	(8,238)	70	(8,308)	>(100)
Total	10,703	15,643	(4,940)	(31.6)	25,826	31,429	(5,603)	(17.8)

The Group's revenue for the quarter ended 30 September 2019 ("Current Quarter") compared with the quarter ended 30 September 2018 ("Previous Year Corresponding Period") decreased by RM31.6 million (11.6%) due to lower sales volume despite higher selling price. The Group's profit before taxation for the Current Quarter compared with the Previous Year Corresponding Period decreased by RM4.9 million (31.6%) due to lower sales volume coupled with lower profit margin during the Current Quarter.

For Malaysia, the Company's revenue for the Current Quarter decreased by RM24.1 million (12.8%) 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 RM14.8 million was higher as compared to RM11.1 million in the Previous Year Corresponding Period due to dividend income of RM8.3 million from subsidiary company despite lower sales volume and lower profit margin.

For Vietnam, the subsidiary Company's revenue decreased by RM7.6 million (8.7%) compared with the Previous Year Corresponding Period due to lower sales volume despite slight lower selling price. The subsidiary Company's profit before taxation for the Current Quarter of RM4.5 million did not have significant changes compared with the Previous Year Corresponding Period.

For Philippines, the subsidiary Company's did not have any revenue during the Current Quarter since it was still at preliminary stage after being registered on 22 November 2018. The subsidiary Company's loss before taxation for the Current Quarter of RM0.3 million was due to the preliminary cost related to the rental fee and administration fee during the Current Quarter.

Comparison with preceding quarter

	July - Sep 2019	Apr - June 2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	164,422	157,014	7,408	4.7
- Vietnam	79,107	71,141	7,966	11.2
- Philippines	--	--	--	--
Consol Adjustment	(3,574)	(3,399)	(175)	(5.1)
Total	239,955	224,756	15,199	6.8
Profit before tax				
- Malaysia	14,806	11,383	3,423	30.1
- Vietnam	4,506	4,212	294	7.0
- Philippines	(336)	(507)	171	33.7
Consol Adjustment	(8,273)	35	(8,308)	>(100)
Total	10,703	15,123	(4,420)	(29.2)

For the Current Quarter, the Group recorded a revenue of RM240.0 million compared with RM224.8 million in the quarter ended 30 June 2019 (“Previous Quarter”). The Group’s higher revenue was mainly due to higher sales volume despite slight lower selling price. The Group recorded a profit before tax of RM10.7 million compared with RM15.1 million in the Previous Quarter. The lower profit before tax was due to lower profit margin despite higher sales volume in the Current Quarter.

For Malaysia, the Company recorded a revenue of RM164.4 million as compared to RM157.0 million in the Previous Quarter. The Company’s revenue was higher due to higher sales volume coupled with higher selling price. The Company recorded a profit before tax of RM14.8 million compared with RM11.4 million in the Previous Quarter. The higher profit before tax for the Current Quarter was mainly due to dividend income of RM8.3 million from subsidiary company coupled with higher sales volume despite lower profit margin for the Current Quarter.

For Vietnam, the subsidiary Company recorded a revenue of RM79.1 million as compared to RM71.1 million in the Previous Quarter. The subsidiary Company’s revenue was higher due to higher sales volume despite lower selling price for the Current Quarter. The Company recorded a profit before tax of RM4.5 million compared with RM4.2 million in the Previous Quarter. The higher profit before tax for the Current Quarter was due to higher sales volume despite lower profit margin.

For Philippines, the subsidiary Company’s did not have any revenue during the Current Quarter since it was still at preliminary stage after being registered on 22 November 2018. The subsidiary Company’s loss before taxation for the Current Quarter of RM0.3 million compared with RM0.5 million in the Previous Quarter was due to the preliminary cost related to the rental fee and administration fee during the Current Quarter.

Current year prospects

The Board of Directors expects the Group's growth and profitability to be affected by a combination of a higher presence of imports (especially after the expiration of anti-dumping duties) and the uncertainty and volatility of Ringgit Malaysia against United States Dollar. To enhance the Group's performance, Management will continue its efforts to improve production efficiency, cost saving measures and marketing efforts (with emphasis on quality, consistency of supply and flexibility in delivery due to our proximity to the end customer).

2. Profit forecast

Not applicable as no profit forecast was published.

3. Tax expense

	3 months quarter ended 30 September		Period ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax expense/ (recoverable)				
Current period	2,530	3,571	6,190	7,385
Under/ (Over) provision in prior years	--	--	--	--
	2,530	3,571	6,190	7,385
Deferred tax income Addition/(Reversal) of temporary differences	(168)	(168)	(336)	(336)
Under/ (Over) provision in prior years	--	--	--	--
	(168)	(168)	(336)	(336)
	<u>2,362</u>	<u>3,403</u>	<u>5,854</u>	<u>7,049</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 quarter under review.

5. Quoted investments

There were no purchases or disposals of quoted securities during the quarter 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

	30.09.2019	31.03.2019
	RM'000	RM'000
Long Term - secured		
Term Loan	--	--
Short Term – unsecured		
Bank overdrafts	--	--
Bankers' acceptances	55,858	17,603
Term Loan/ Trust Receipts/ Revolving Credit	--	--
Onshore Foreign Currency Loan	--	--
	<u>55,858</u>	<u>17,603</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 2019 has been paid on 28 June 2019.
- b) A final dividend of 20.0 sen per ordinary share in respect of the financial year ended 31 March 2019 has been paid on 27 September 2019 (31 March 2018: final dividend of 20.0 sen per share).
- c) No dividend has been declared for the period ended 30 September 2019.

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 RM19,972,000 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 September		Period ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax is arrived at after charging/(crediting)				
Depreciation of property, plant and equipment	3,500	3,282	6,939	6,701
Interest expense	483	214	705	554
Interest income	(369)	(573)	(948)	(1,394)
Unrealised loss/(gain) on foreign exchange	--	--	--	--
Hostel rental income	(11)	(11)	(11)	(21)
Realised loss/(gain) on foreign exchange	(971)	(1,969)	(1,816)	(2,142)

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 30 September 2019.