

**Perusahaan Sadur Timah Malaysia
(Perstima) Berhad**
(Registration No. 197901005687 (49971-D))
(Incorporated in Malaysia)

**Interim Financial Report
30 September 2020**

Perusahaan Sadur Timah Malaysia (Perstima) Berhad

(Registration No. 197901005687 (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 2020. 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 2020.

2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 March 2020 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 2020.

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 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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 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.

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3. Audit Report

The most recent audited financial statements for the year ended 31 March 2020 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 issuances, cancellations, repurchase, resale and repayments of debt and equity securities for the period under review.

8. Dividends paid

	Period ended 30.09.2020 RM'000
Ordinary 2020 Final paid : dividend of 10.0 sen per ordinary share	9,930
	<hr/> <u>9,930</u>

9. Segment information

	Revenue RM'000	Period ended 30.09.2020 Profit before Tax RM'000
Malaysia	265,987	31,995
Vietnam	163,673	13,829
Philippines	--	(831)
	<hr/>	<hr/>
Inter-segment elimination	429,660 (6,518)	44,993 (12,399)
	<hr/>	<hr/>
Segment results	423,142	32,594
Finance costs	--	(341)
Interest income	--	840
	<hr/>	<hr/>
	<u>423,142</u>	<u>33,093</u>

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

	30.09.2020 RM'000
<i>Property, plant and equipment</i>	
Authorised but not contracted for	51,695
Contracted but not provided for in the financial statements	152,493
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	<u>204,188</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 2020.

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 2020	July - Sep 2019	Changes		Apr-Sep 2020	Apr-Sep 2019	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
- Malaysia	150,302	164,422	(14,120)	(8.6)	265,987	321,436	(55,449)	(17.3)
- Vietnam	75,434	79,107	(3,673)	(4.6)	163,673	150,248	13,425	8.9
- Philippine	--	--	--	--	--	--	--	--
Consol Adjustment	(3,242)	(3,574)	332	9.3	(6,518)	(6,973)	455	6.5
Total	222,494	239,955	(17,461)	(7.3)	423,142	464,711	(41,569)	(8.9)
Profit/(loss) before tax								
- Malaysia	24,790	14,806	9,984	67.4	31,801	26,189	5,612	2.1
- Vietnam	7,548	4,506	3,042	67.5	14,522	8,718	5,804	66.6
- Philippine	(359)	(336)	(23)	(6.8)	(831)	(843)	12	1.4
Consol Adjustment	(12,417)	(8,273)	(4,144)	(50.1)	(12,399)	(8,238)	(4,161)	(50.5)
Total	19,562	10,703	8,859	82.8	33,093	25,826	7,267	28.1

The Group's revenue for the quarter ended 30 September 2020 ("Current Quarter") compared with the quarter ended 30 September 2019 ("Previous Year Corresponding Period") decreased by RM17.5 million (7.3%) due to lower sales volume coupled with lower selling price. The Group's profit before taxation for the Current Quarter compared with the Previous Year Corresponding Period increased by RM8.9 million (82.8%) was due to better profit margin despite lower sales volume during the Current Quarter.

For Malaysia, the Company's revenue for the Current Quarter decreased by RM14.1 million (8.6%) as compared to the Previous Year Corresponding Period due to lower sales volume coupled with lower selling price. The Company's profit before taxation for the Current Quarter of RM24.8 million was higher as compared to RM14.8 million in the Previous Year Corresponding Period due to dividend income from subsidiary of RM12.4 million despite lower sales volume and lower profit margin during the Current Quarter.

For Vietnam, the subsidiary Company's revenue decreased by RM3.7 million (4.6%) compared with the Previous Year Corresponding Period due to lower selling price despite higher sales volume. The subsidiary Company's profit before taxation for the Current Quarter of RM7.5 million compared with RM4.5 million in the Previous Year Corresponding Period due to higher sales volume coupled with better profit margin during the Current Quarter.

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 RM0.4 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 2020	Apr - June 2020	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	150,302	115,685	34,617	29.9
- Vietnam	75,434	88,239	(12,805)	(14.5)
- Philippines	--	--	--	--
Consol Adjustment	(3,242)	(3,276)	34	(1.0)
Total	222,494	200,648	21,846	10.9
Profit before tax				
- Malaysia	24,790	7,011	17,779	>100
- Vietnam	7,548	6,974	574	8.2
- Philippines	(359)	(472)	113	(23.9)
Consol Adjustment	(12,417)	18	(12,435)	>(100.0)
Total	19,562	13,531	6,031	44.6

For the Current Quarter, the Group recorded a revenue of RM222.5 million compared with RM200.6 million in the quarter ended 30 June 2020 ("Previous Quarter"). The Group's higher revenue was mainly due to higher sales volume despite lower selling price. The Group recorded a profit before tax of RM19.6 million compared with RM13.5 million in the Previous Quarter. The higher profit before tax was due to higher sales volume coupled with better profit margin in the Current Quarter.

For Malaysia, the Company recorded a revenue of RM150.3 million as compared to RM115.7 million in the Previous Quarter. The Company's revenue was higher due to higher sales volume coupled with slightly higher selling price. The Company recorded a profit before tax of RM24.8 million compared with RM7.0 million in the Previous Quarter. The higher profit before tax for the Current Quarter was mainly due to dividend income of RM12.4 million from subsidiary company in the Previous Quarter coupled with higher sales volume and better profit margin for the Current Quarter.

For Vietnam, the subsidiary Company recorded a revenue of RM75.4 million as compared to RM88.2 million in the Previous Quarter. The subsidiary Company's revenue was lower due to lower sales volume and lower selling price for the Current Quarter. The Company recorded a profit before tax of RM7.5 million compared with RM7.0 million in the Previous Quarter. The higher profit before tax for the Current Quarter was due to better profit margin despite lower sales volume.

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 RM0.4 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 not only by the continued presence of higher imports and the volatility of the Ringgit Malaysia against United States Dollar exchange but also by the continued significant economic and socio-economic effects of the unpredictable COVID-19 pandemic on the markets in which the Group makes and sells its products.

Despite the unpredictability, the diverse locations in which the Group's manufacturing facilities are based (Malaysia, Vietnam and Philippines (upon completion of construction of its new manufacturing facility)) and the diverse markets in which the Group sells its products may help the Group cushion any negative impact therefrom.

The Group will nevertheless apply its best efforts to continue to improve production efficiencies and cost savings and to increase sales and marketing efforts (including exploring new markets) to ensure the profitability of the Group for the current financial year.

2. Profit forecast

Not applicable as no profit forecast was published.

3. Tax expense

	3 months quarter ended 30 September		Period ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax expense/ (recoverable)				
Current period	4,346	2,530	7,434	6,190
Under/ (Over) provision in prior years	--	--	--	--
	4,346	2,530	7,434	6,190
Deferred tax income				
Addition/(Reversal) of temporary differences	--	(168)	--	(336)
Under/ (Over) provision in prior years	--	--	--	--
	--	(168)	--	(336)
	<u>4,346</u>	<u>2,362</u>	<u>7,434</u>	<u>5,854</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.

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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

	30.09.2020 RM'000	31.03.2020 RM'000
Long Term - secured		
Term Loan	--	--
Short Term – unsecured		
Bank overdrafts	--	--
Bankers' acceptances	25,228	15,059
Term Loan/ Trust Receipts/ Revolving Credit	--	--
Onshore Foreign Currency Loan	--	--
	<u>25,228</u>	<u>15,059</u>

8. Changes in material litigations

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

9. Dividends

a) A final dividend of 10.0 sen per ordinary share in respect of the financial year ended 31 March 2020 has been paid on 25 September 2020 (31 March 2019: final dividend of 20.0 sen per share).

b) No dividend has been declared for the period ended 30 September 2020.

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 RM15,216,000 and the weighted average number of ordinary shares in issue during the quarter of 99,304,720.

11. Profit before tax

	3 months quarter end 30 September		Period ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax is arrived at after charging/(crediting)				
Depreciation of property, plant and equipment	3,698	3,340	7,402	6,619
Depreciation of right-of-use assets	148	160	298	320
Interest expense	207	483	341	705
Interest income	(492)	(369)	(840)	(948)
Unrealised loss/(gain) on foreign exchange	--	--	--	--
Hostel rental income	(11)	(11)	(22)	(22)
Realised loss/(gain) on foreign exchange	(267)	(971)	(997)	(1,816)

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 30 September 2020.