

**Perusahaan Sadur Timah Malaysia
(Perstima) Berhad**

(Registration No. 197901005687 (49971-D))
(Incorporated in Malaysia)

**Interim Financial Report
31 March 2021**

Perusahaan Sadur Timah Malaysia (Perstima) Berhad

(Registration No. 197901005687 (49971-D))

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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

	Year ended 31.03.2021 RM'000
Ordinary 2020 Final paid : dividend of 10.0 sen per ordinary share	9,930
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	<u>9,930</u>

9. Segment information

	Revenue RM'000	Year ended 31.03.2021 Profit before Tax RM'000
Malaysia	514,088	58,057
Vietnam	330,147	24,027
Philippines	--	(2,473)
	<hr/>	<hr/>
Inter-segment elimination	844,235 (12,271)	79,611 (12,363)
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Segment results	831,964	67,248
Finance costs	--	(683)
Interest income	--	2,154
	<hr/>	<hr/>
	831,964	68,719
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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

	31.03.2021 RM'000
<i>Property, plant and equipment</i>	
Authorised but not contracted for	70,169
Contracted but not provided for in the financial statements	123,312
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	193,481
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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 2020.

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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

	Jan - Mar 2021	Jan - Mar 2020	Changes		Apr-Mar 2021	Apr-Mar 2020	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
- Malaysia	136,779	123,246	13,533	11.0	514,088	589,243	(75,155)	(12.8)
- Vietnam	90,438	70,816	19,622	27.7	330,147	283,267	46,880	16.5
- Philippine	--	--	--	--	--	--	--	--
Consol Adjustment	(2,992)	(2,993)	(1)	(0.1)	(12,271)	(13,137)	(866)	(6.6)
Total	224,225	191,069	33,156	17.4	831,964	859,373	(27,409)	(3.2)
Profit/(loss) before tax								
- Malaysia	13,788	12,212	1,576	12.9	57,941	44,559	13,382	30.3
- Vietnam	5,451	2,576	2,875	>100	25,614	13,805	11,809	85.5
- Philippine	(1,047)	(396)	(651)	<100	(2,473)	(1,648)	(825)	(50.1)
Consol Adjustment	18	(7,368)	7,386	>100	(12,363)	(15,571)	3,208	20.6
Total	18,210	7,024	11,186	>100	68,719	41,145	27,574	67.0

The Group's revenue for the quarter ended 31 March 2021 ("Current Quarter") compared with the quarter ended 31 March 2020 ("Previous Year Corresponding Period") increased by RM33.2 million (17.4%) due to higher sales volume despite lower selling price. The Group's profit before taxation for the Current Quarter compared with the Previous Year Corresponding Period increased by RM11.2 million (more than 100%) was due to better profit margin coupled with higher sales volume during the Current Quarter.

For Malaysia, the Company's revenue for the Current Quarter increased by RM13.5 million (11.0%) as compared to the Previous Year Corresponding Period due to higher sales volume despite lower selling price. The Company's profit before taxation for the Current Quarter of RM13.8 million was higher as compared to RM12.2 million in the Previous Year Corresponding Period due to higher profit margin coupled higher sales volume during the Current Quarter.

For Vietnam, the subsidiary Company's revenue increased by RM19.6 million (27.7%) 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 RM5.5 million compared with RM2.6 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 RM1.0 million was due to the preliminary cost related to the rental fee and administration fee during the Current Quarter.

Comparison with preceding quarter

	Jan - Mar 2021	Oct - Dec 2020	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	136,779	111,322	25,457	22.9
- Vietnam	90,438	76,036	14,402	18.9
- Philippines	--	--	--	--
Consol Adjustment	(2,992)	(2,761)	(231)	(8.4)
Total	224,225	184,597	39,628	21.5
Profit before tax				
- Malaysia	13,788	12,352	1,436	11.6
- Vietnam	5,451	5,641	(190)	(3.4)
- Philippines	(1,047)	(595)	(452)	(76.0)
Consol Adjustment	18	18	--	--
Total	18,210	17,416	794	4.6

For the Current Quarter, the Group recorded a revenue of RM224.2 million compared with RM184.6 million in the quarter ended 31 December 2020 ("Previous Quarter"). The Group's higher revenue was mainly due to higher sales volume coupled with higher selling price. The Group recorded a profit before tax of RM18.2 million compared with RM17.4 million in the Previous Quarter. The higher profit before tax was due to higher sales volume despite lower profit margin in the Current Quarter.

For Malaysia, the Company recorded a revenue of RM136.8 million as compared to RM111.3 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 RM13.8 million compared with RM12.4 million in the Previous Quarter. The higher profit before tax for the Current Quarter was mainly due to higher sales volume despite lower profit margin for the Current Quarter.

For Vietnam, the subsidiary Company recorded a revenue of RM90.4 million as compared to RM76.0 million in the Previous Quarter. The subsidiary Company's revenue was higher due to higher sales volume coupled with higher selling price for the Current Quarter. The Company recorded a profit before tax of RM5.5 million compared with RM5.6 million in the Previous Quarter. The lower profit before tax for the Current Quarter was due to lower profit margin despite higher 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 RM1.0 million compared with RM0.6 million in the Previous Quarter was due to the preliminary cost related to the rental fee and administration fee during the Current Quarter.

Prospects

The Board of Directors expects the Group's growth and profitability to be affected not only by the continued presence of higher raw material prices 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 31 March		Year ended 31 March	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income tax expense/ (recoverable)				
Current period	4,327	1,374	15,389	9,702
Under/ (Over) provision in prior years	--	--	--	--
	4,327	1,374	15,389	9,702
Deferred tax income				
Addition/(Reversal) of temporary differences	--	1,045	--	541
Under/ (Over) provision in prior years	--	--	--	--
	--	1,045	--	541
	<u>4,327</u>	<u>2,419</u>	<u>15,389</u>	<u>10,243</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 exercise announced

Corporate Exercises - Right Issue and Bonus Issue

On 11 November 2020, the Company announced that the Corporate Exercises have been completed following the listing of and quotation of 19,860,944 Rights Shares and 9,930,472 Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad.

The utilisation of proceeds up to 31 March 2021 is as follow:

Purpose	Proposed utilisation (RM'million)	Actual proceeds raised (RM'million)	Actual Utilisation (RM'million)	Intended timeframe for utilisations
Part of financing for electrolytic tinning and tin free steel production line for the manufacturing plant in the Philippines	54.800	54.800	44.012	Within 24 months
Purchase of raw materials	3.233	3.233	3.233	Within 24 months
Estimated expenses for the Corporate Exercises	1.550	1.550	1.105	Within 1 month
Total	59.583	59.583	48.350	

7. Borrowing and debt securities

	31.03.2021 RM'000	31.03.2020 RM'000
Long Term - secured		
Term Loan	22,828	--
Short Term – unsecured		
Bank overdrafts	--	--
Bankers' acceptances	24,288	15,059
Import Purchase Loan	12,972	--
	<u>60,088</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 31 March 2021.

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 RM53,330,000 and the weighted average number of ordinary shares in issue during the quarter of 129,096,136.

11. Profit before tax

	3 months quarter end 31 March		Year ended 31 March	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax is arrived at after charging/(crediting)				
Depreciation of property, plant and equipment	3,638	3,707	14,758	14,125
Depreciation of right-of-use assets	147	158	594	638
Interest expense	171	99	683	1,239
Interest income	(538)	(643)	(2,154)	(2,184)
Unrealised loss/(gain) on foreign exchange	95	(70)	95	(70)
Hostel rental income	(11)	(11)	(34)	(44)
Realised loss/(gain) on foreign exchange	(2,380)	(1,168)	(3,434)	(3,058)

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 2021.