

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

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

**Interim Financial Report
31 March 2022**

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 2021. 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 2021.

2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 March 2021 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 2021.

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 June 2020

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

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

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

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 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 for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

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.

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3. Audit Report

The most recent audited financial statements for the year ended 31 March 2021 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 31.03.2022 RM'000
Ordinary 2021 Final paid : dividend of 20.0 sen per ordinary share	25,819
	<hr/>
	25,819

9. Segment information

	Year ended 31.03.2022	
	Revenue RM'000	Profit before Tax RM'000
Malaysia	828,255	39,484
Vietnam	527,283	43,385
Philippines	--	(15,444)
	<hr/>	<hr/>
	1,355,538	67,425
Inter-segment elimination	(12,624)	(4,239)
	<hr/>	<hr/>
Segment results	1,342,914	63,186
Finance costs	--	(4,134)
Interest income	--	2,321
	<hr/>	<hr/>
	1,342,914	61,373
	<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

	31.03.2022 RM'000
<i>Property, plant and equipment</i>	
Authorised but not contracted for	17,892
Contracted but not provided for in the financial statements	33,408
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	<u>51,300</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 2021.

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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 2022	Jan - Mar 2021	Changes		Apr-Mar 2022	Apr-Mar 2021	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
- Malaysia	257,183	136,779	120,404	88.0	828,255	514,088	314,167	61.1
- Vietnam	165,751	90,438	75,313	83.3	527,283	330,147	197,136	59.7
- Philippines	--	--	--	--	--	--	--	--
Consol Adjustment	(3,034)	(2,992)	(42)	(1.4)	(12,624)	(12,271)	(353)	(2.9)
Total	419,900	224,225	195,675	87.3	1,342,914	831,964	510,950	61.4
Profit/(loss) before tax								
- Malaysia	(2,272)	13,788	(16,060)	>100	36,393	57,941	(21,548)	(37.2)
- Vietnam	14,519	5,451	9,068	>100	44,663	25,614	19,049	74.4
- Philippines	(9,679)	(2,185)	(7,494)	>100	(15,444)	(3,584)	(11,860)	>100
Consol Adjustment	16,690	18	16,672	>100	(4,239)	(12,363)	8,124	65.7
Total	19,258	17,072	2,186	12.8	61,373	67,608	(6,235)	(9.2)

The Group's revenue for the quarter ended 31 March 2022 ("Current Quarter") compared with the quarter ended 31 December 2021 ("Previous Year Corresponding Period") increased by RM195.7 million (87.3%) due to higher selling price coupled with higher sales volume. The Group's profit before taxation for the Current Quarter compared with the Previous Year Corresponding Period increased by RM2.2 million (12.8%) was due to higher sales volume and higher profit margin partly offset by unrealised exchange loss during the Current Quarter.

For Malaysia, the Company's revenue for the Current Quarter increased by RM120.4 million (88.0%) as compared to the Previous Year Corresponding Period due to higher selling price despite lower sales volume. The Company's loss before taxation for the Current Quarter of RM2.3 million as compared to profit before taxation of RM13.8 million in the Previous Year Corresponding Period due to unrealised exchange loss of RM14.9 million for intercompany balance partly offset by reversal of impairment loss in subsidiary of RM4.6 million coupled with higher profit margin during the Current Quarter.

For Vietnam, the subsidiary Company's revenue increased by RM75.3 million (83.3%) compared with the Previous Year Corresponding Period due to higher selling price coupled with higher sales volume. The subsidiary Company's profit before taxation for the Current Quarter of RM14.5 million compared with RM5.5 million in the Previous Year Corresponding Period due to higher profit margin coupled with higher sales volume 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 RM9.7 million was due to preliminary cost related to the rental fee and administration fee coupled with unrealised exchange loss incurred during the Current Quarter.

Comparison with preceding quarter

	Jan - Mar 2022	Oct - Dec 2021	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	257,183	248,062	9,121	3.7
- Vietnam	165,751	140,797	24,954	17.7
- Philippines	--	--	--	--
Consol Adjustment	(3,034)	(3,707)	673	18.2
Total	419,900	385,152	34,748	9.0
Profit/(loss) before tax				
- Malaysia	(2,272)	31,105	(33,377)	>100
- Vietnam	14,519	12,925	1,594	12.3
- Philippines	(9,679)	(2,396)	(7,283)	>100
Consol Adjustment	16,690	(20,965)	37,655	>100
Total	19,258	20,669	(1,411)	(6.8)

For the Current Quarter, the Group recorded a revenue of RM419.9 million compared with RM385.2 million in the quarter ended 31 December 2021 (“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 RM19.3 million compared with RM20.7 million in the Previous Quarter. The lower profit before tax was due to unrealised exchange loss despite higher profit margin coupled with higher sales volume in the Current Quarter.

For Malaysia, the Company recorded a revenue of RM257.2 million as compared to RM248.1 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 loss before tax of RM2.3 million compared with a profit before tax of RM31.1 million in the Previous Quarter. The loss profit before tax for the Current Quarter was due to unrealised exchange loss of RM14.9 million for intercompany balance and lower sales volume partly offset by reversal of impairment loss in subsidiary of RM4.6 million coupled with higher profit margin for the Current Quarter.

For Vietnam, the subsidiary Company recorded a revenue of RM165.8 million as compared to RM140.8 million in the Previous Quarter. The subsidiary Company’s revenue was higher due to higher selling price coupled with higher sales volume for the Current Quarter. The Company recorded a profit before tax of RM14.5 million compared with RM12.9 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 RM9.7 million compared with RM2.4 million in the Previous Quarter was due to unrealised exchange loss incurred for intercompany balance coupled with preliminary cost related to the rental fee and administration fee during the Current Quarter.

Prospects

As the restrictions occasioned by the COVID-19 pandemic lift in the transition to the endemic phase, key economic sectors are expected to continue its growth trend in year 2022.

However, with the economic effects of the COVID-19 continuing to linger and with these being exacerbated by the ongoing Russia – Ukraine conflict, the Board of Directors expects the Group's growth and profitability to be affected by the increasing cost of raw materials, logistics and supply chain disruption and the volatility of the Ringgit Malaysia against United States Dollar exchange.

In spite of the above, 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.

The Group will continue to intensify its sales and marketing efforts in addition to applying its best efforts to improve production efficiencies and costs savings to ensure the profitability of the Group for the next 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax expense/ (recoverable)				
Current period	4,822	4,327	14,374	15,389
Under/ (Over) provision in prior years	--	--	--	--
	4,822	4,327	14,374	15,389
Deferred tax income				
Addition/(Reversal) of temporary differences	--	--	--	--
Under/ (Over) provision in prior years	--	--	--	--
	--	--	--	--
	<u>4,822</u>	<u>4,327</u>	<u>14,374</u>	<u>15,389</u>

The effective rate of taxation for the quarter 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

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

	31.03.2022 RM'000	31.03.2021 RM'000
Long Term - secured		
Term Loan	182,345	22,828
Short Term – unsecured		
Bank overdrafts	--	--
Bankers' acceptances	205,109	24,288
Import Purchase Loan	20,590	12,972
	<u>408,044</u>	<u>60,088</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 20.0 sen per ordinary share in respect of the financial year ended 31 March 2021 has been paid on 29 October 2021 (31 March 2020: final dividend of 10.0 sen per share).

b) No interim dividend has been declared for the period ended 31 March 2022.

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 RM46,639,000 and the weighted average number of ordinary shares in issue during the quarter of 129,096,136.

11. Profit before tax

	3 months quarter ended 31 March		Year ended 31 December	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax is arrived at after charging/(crediting)				
Depreciation of property, plant and equipment	2,956	3,639	13,358	14,759
Depreciation of right-of-use assets	146	146	590	593
Interest expense	1,607	173	4,134	685
Interest income	(704)	(657)	(2,321)	(2,273)
Unrealised loss/(gain) on foreign exchange	2,291	95	2,291	95
Hostel rental income	(13)	(11)	(48)	(34)
Realised loss/(gain) on foreign exchange	1,265	(2,380)	(1,469)	(3,434)

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 2022.