

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

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

**Interim Financial Report
30 June 2022**

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 2022. 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 2022.

2. Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 March 2022 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 2022.

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 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 17, *Insurance Contracts - Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 accounting standards, amendments and interpretations in the respective financial year when the above accounting standards, amendments and interpretations become effective, if applicable.

The initial application of these accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period 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 2022 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

There was no dividend paid for the financial quarter ended 30 June 2022.

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9. Segment information

	Revenue RM'000	Quarter ended 30.06.2022 Profit before Tax RM'000
Malaysia	256,287	15,247
Vietnam	186,252	25,567
Philippines	--	(5,304)
	<hr/>	<hr/>
	442,539	35,510
Inter-segment elimination	(3,698)	5,291
	<hr/>	<hr/>
Segment results	438,841	40,801
Finance costs	--	(2,022)
Interest income	--	379
	<hr/>	<hr/>
	438,841	39,158
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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

	30.06.2022 RM'000
<i>Property, plant and equipment</i>	
Authorised but not contracted for	14,233
Contracted but not provided for in the financial statements	29,285
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	43,518
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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 2022.

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 2022	Apr - June 2021	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	256,287	149,334	106,953	71.6
- Vietnam	186,252	105,602	80,650	76.4
- Philippines	--	--	--	--
Consol Adjustment	(3,698)	(3,157)	(541)	(17.1)
Total	438,841	251,779	187,062	74.3
Profit/(loss) before tax				
- Malaysia	13,398	4,488	8,910	>100
- Vietnam	25,773	7,418	18,355	>100
- Philippines	(5,304)	(4,015)	(1,289)	(32.1)
Consol Adjustment	5,291	18	5,273	>100
Total	39,158	7,909	31,249	>100

The Group's revenue for the quarter ended 30 June 2022 ("Current Quarter") compared with the quarter ended 30 June 2021 ("Previous Year Corresponding Period") increased by RM187.1 million (74.3%) 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 RM31.2 million (more than 100%) was due to higher sales volume and higher profit margin during the Current Quarter.

For Malaysia, the Company's revenue for the Current Quarter increased by RM106.9 million (71.6%) as compared to the Previous Year Corresponding Period due to higher selling price coupled with higher sales volume. The Company's profit before taxation for the Current Quarter of RM13.4 million as compared to profit before taxation of RM4.5 million in the Previous Year Corresponding Period due to higher profit margin and higher sales volume during the Current Quarter.

For Vietnam, the subsidiary Company's revenue increased by RM80.7 million (76.4%) 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 RM25.8 million compared with RM7.4 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 RM5.3 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

	Apr - June 2022	Jan - Mar 2022	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
- Malaysia	256,287	257,184	(897)	(0.4)
- Vietnam	186,252	165,751	20,501	12.4
- Philippines	--	--	--	--
Consol Adjustment	(3,698)	(3,034)	(664)	(21.9)
Total	438,841	419,901	18,940	4.5
Profit/(loss) before tax				
- Malaysia	13,398	(2,280)	15,678	>100
- Vietnam	25,773	14,519	11,254	77.5
- Philippines	(5,304)	(8,109)	2,805	34.6
Consol Adjustment	5,291	19,417	(14,216)	(72.8)
Total	39,158	23,547	15,611	66.3

For the Current Quarter, the Group recorded a revenue of RM438.8 million compared with RM419.9 million in the quarter ended 31 March 2022 ("Previous Quarter"). The Group's higher revenue was mainly due to higher selling price coupled with higher sales volume. The Group recorded a profit before tax of RM39.2 million compared with RM23.5 million in the Previous Quarter. The higher profit before tax was due to higher profit margin coupled with higher sales volume in the Current Quarter.

For Malaysia, the Company recorded a revenue of RM256.3 million as compared to RM257.2 million in the Previous Quarter. The Company's revenue was lower due to lower sales volume despite higher selling price. The Company recorded a profit before tax of RM13.4 million compared with a loss before tax of RM2.3 million in the Previous Quarter. The profit before tax for the Current Quarter was due to higher profit margin despite lower sales volume in the Current Quarter.

For Vietnam, the subsidiary Company recorded a revenue of RM186.3 million as compared to RM165.8 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 RM25.8 million compared with RM14.5 million in the Previous Quarter. The higher profit before tax for the Current Quarter was due to higher profit margin coupled with 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 RM5.3 million compared with RM8.1 million in the Previous Quarter was due to 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 high cost of raw materials, logistics and supply chain disruption, interest rate hike 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 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 current financial year.

2. Profit forecast

Not applicable as no profit forecast was published.

3. Tax expense

	3 months quarter ended 30 June		Period ended 30 June	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax expense/ (recoverable)				
Current period	7,980	2,509	7,980	2,509
Under/ (Over) provision in prior years	--	--	--	--
	7,980	2,509	7,980	2,509
Deferred tax income				
Addition/(Reversal) of temporary differences	--	--	--	--
Under/ (Over) provision in prior years	--	--	--	--
	--	--	--	--
	<u>7,980</u>	<u>2,509</u>	<u>7,980</u>	<u>2,509</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

	30.06.2022 RM'000	31.03.2022 RM'000
Long Term - secured		
Term Loan	182,345	182,345
Short Term – unsecured		
Bank overdrafts	--	--
Bankers' acceptances	167,815	205,109
Import Purchase Loan	8,507	20,590
	<u>358,667</u>	<u>408,044</u>

8. Changes in material litigations

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

9. Dividends

The Directors do not recommend any dividend during the current quarter.

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 RM31,178,000 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 30 June		Period ended 30 June	
	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	2,881	3,631	2,881	3,631
Depreciation of right-of-use assets	148	148	148	148
Interest expense	2,022	427	2,022	427
Interest income	(379)	(650)	(379)	(650)
Unrealised loss/(gain) on foreign exchange	--	--	--	--
Hostel rental income	(13)	(11)	(13)	(11)
Realised loss/(gain) on foreign exchange	(2,953)	(555)	(2,953)	(555)

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 2022.