



Malaysia Smelting Corporation Berhad

(43072-A)

MALAYSIA SMELTING CORPORATION BERHAD

INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2020

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)

24 June 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

		As at 31.03.2020 Unaudited RM'000	As at 31.12.2019 Audited RM'000
Assets	Note		
Non-current assets			
Property, plant and equipment		113,947	115,323
Right-of-use assets		8,693	10,386
Land held for development		78,654	78,654
Intangible assets		3,918	4,063
Investments in associates and joint ventures		30,753	30,436
Investment securities		8,168	9,762
Other non-current assets		13,961	13,831
Deferred tax assets		13,913	9,457
		<u>272,007</u>	<u>271,912</u>
Current assets			
Inventories		438,167	467,443
Trade receivables	B5	5,709	13,676
Other receivables		2,899	2,995
Trade prepayments		14,181	5,636
Other prepayments		2,957	1,997
Tax recoverable		24,969	23,785
Derivative financial instruments		-	1,078
Cash, bank balances and deposits		48,756	35,738
		<u>537,638</u>	<u>552,348</u>
Total assets		<u>809,645</u>	<u>824,260</u>
Equity and liabilities			
Current liabilities			
Provisions		15,458	15,458
Borrowings	B6	270,583	266,171
Trade and other payables		50,120	56,368
Lease liabilities		6,965	6,936
Current tax payable		78	2,133
Derivative financial instruments		6,696	1,791
		<u>349,900</u>	<u>348,857</u>
Net current assets		<u>187,738</u>	<u>203,491</u>
Non-current liabilities			
Provisions		27,895	27,652
Deferred tax liabilities		1,912	1,912
Loan from immediate holding company	A15	73,461	73,461
Lease liabilities		1,427	3,184
		<u>104,695</u>	<u>106,209</u>
Total liabilities		<u>454,595</u>	<u>455,066</u>
Net assets		<u>355,050</u>	<u>369,194</u>
Equity attributable to owners of the Company			
Share capital		200,000	200,000
Other reserves		3,446	4,400
Retained earnings		151,317	164,505
		<u>354,763</u>	<u>368,905</u>
Non-controlling interest		287	289
Total Equity		<u>355,050</u>	<u>369,194</u>
Total equity and liabilities		<u>809,645</u>	<u>824,260</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.89</u>	<u>0.92</u>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited annual financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 MARCH 2020**

	Note	1 st Quarter 3 months ended		Year to Date 3 months ended	
		31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Revenue	A8	205,314	307,446	205,314	307,446
Operating (loss)/profit		(11,861)	15,024	(11,861)	15,024
Finance costs		(3,581)	(3,894)	(3,581)	(3,894)
Share of results of associates and joint ventures		(327)	236	(327)	236
(Loss)/Profit before tax	B2	(15,769)	11,366	(15,769)	11,366
Income tax credit/(expense)	B3	2,579	(2,765)	2,579	(2,765)
(Loss)/Profit net of tax		(13,190)	8,601	(13,190)	8,601
Attributable to:					
Owners of the Company		(13,188)	8,601	(13,188)	8,601
Non-controlling interest		(2)	-	(2)	-
		(13,190)	8,601	(13,190)	8,601
(Loss)/Earnings per share attributable to owners of the Company (sen):					
Basic and diluted	B12	(3.3)	2.2	(3.3)	2.2

The unaudited condensed consolidated statement of profit or loss should be read in conjunction with the audited annual financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	1 st Quarter		Year to Date	
	3 months ended		3 months ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit net of tax	(13,190)	8,601	(13,190)	8,601
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	(1,594)	(966)	(1,594)	(966)
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	(4)	1	(4)	1
Share of foreign currency translation of an associate and a joint venture	644	(246)	644	(246)
	640	(245)	640	(245)
Other comprehensive income for the period, net of tax	(954)	(1,211)	(954)	(1,211)
Total comprehensive income for the period	(14,144)	7,390	(14,144)	7,390
Total comprehensive income attributable to:				
Owners of the Company	(14,142)	7,390	(14,142)	7,390
Non-controlling interest	(2)	-	(2)	-
	(14,144)	7,390	(14,144)	7,390

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited annual financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020**

RM'000	Note	Attributable to owners of the Company						Non-Distributable	Total	Non-controlling interest	Total equity
		Share capital	Revaluation reserves	Foreign currency translation reserves	FVOCI reserves	Other reserve	Retained earnings				
At 1 January 2020		200,000	8,277	1,273	(6,856)	1,706	164,505	-	368,905	289	369,194
Loss for the period		-	-	-	-	-	(13,188)	-	(13,188)	(2)	(13,190)
Other comprehensive income		-	-	640	(1,594)	-	-	-	(954)	-	(954)
Total comprehensive income		-	-	640	(1,594)	-	(13,188)	-	(14,142)	(2)	(14,144)
At 31 March 2020		200,000	8,277	1,913	(8,450)	1,706	151,317	-	354,763	287	355,050
At 1 January 2019		200,000	5,569	1,015	(2,113)	1,706	139,807	2,012	347,996	290	348,286
Profit for the period		-	-	-	-	-	8,601	-	8,601	-	8,601
Other comprehensive income		-	-	(245)	(966)	-	-	-	(1,211)	-	(1,211)
Total comprehensive income		-	-	(245)	(966)	-	8,601	-	7,390	-	7,390
At 31 March 2019		200,000	5,569	770	(3,079)	1,706	148,408	2,012	355,386	290	355,676

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited annual financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020**

	3 months ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
Operating activities		
Operating cash flows before changes in working capital	13,343	17,666
Decrease/(Increase) in inventories	15,276	(14,796)
Decrease/(Increase) in trade and other receivables	8,114	(14,262)
(Increase)/Decrease in trade prepayments	(8,545)	5,449
Increase in other prepayments	(1,155)	(1,314)
(Decrease)/Increase in payables	(7,251)	41,841
(Decrease)/Increase in amount due to immediate holding company	(35)	8
Increase in amount due from associates and joint ventures	-	(1,300)
Cash generated from operations	19,747	33,292
Income tax paid	(5,117)	(5,140)
Interest paid	(2,456)	(3,382)
Net cash generated from operating activities	12,174	24,770
Investing activities		
Interest received	160	281
Payment for deferred mine exploration and evaluation expenditures and mine properties	(290)	(164)
Purchase of property, plant and equipment	(1,328)	(2,143)
Net cash used in investing activities	(1,458)	(2,026)
Financing activities		
Drawdown/(Repayment) of short term trade borrowings	4,050	(7,859)
Payment of lease liability	(1,728)	(32)
Net cash generated from/(used in) financing activities	2,322	(7,891)
Net increase in cash and cash equivalents	13,038	14,853
Effect of changes in foreign exchange rates	(20)	18
Cash and cash equivalents as at 1 January	35,738	37,033
Cash and cash equivalents as at 31 March	48,756	51,904
	2020	2019
Cash and bank balances comprise the following at 31 March:	RM'000	RM'000
Cash and short term deposits	48,756	51,904
Deposits of more than three months maturity with licensed banks	-	-
	48,756	51,904

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at		← Non-cash changes →		Carrying amount as at
	1 January 2020	Cash flows	Additions	Foreign exchange movement	
	RM'000	RM'000	RM'000	RM'000	31 March 2020
Lease liabilities	10,120	(1,728)	-	-	8,392
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	216,912	4,050	-	415	221,377
Term loan	49,259	-	-	(53)	49,206
Total liabilities from financing activities	349,752	2,322	-	362	352,436

	Carrying amount as at		← Non-cash changes →		Carrying amount as at
	1 January 2019	Cash flows	Additions	Foreign exchange movement	
	RM'000	RM'000	RM'000	RM'000	31 March 2019
Lease liabilities	-	(32)	691	-	659
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	243,838	(7,859)	-	6	235,985
Term loan	49,177	-	-	(420)	48,757
Total liabilities from financing activities	366,476	(7,891)	691	(414)	358,862

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited annual financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the Interim Financial Report.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

This condensed consolidated Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019.

These explanatory notes attached to the Interim Financial Report 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 December 2019.

A2. Changes in Accounting Policies

i) Amendments and Annual Improvements adopted by the Group

The significant accounting policies adopted in the preparation of the Interim Financial Report are consistent with those used in the preparation of the Group's audited financial statements for the financial year ended 31 December 2019 except for the adoption of the pronouncements that became effective from 1 January 2020.

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 3 Business Combinations – <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – <i>Definition of Material</i>	1 January 2020
Conceptual Framework in MFRS Standards:	
• Amendments to MFRS 2 Share-Based Payment	1 January 2020
• Amendment to MFRS 3 Business Combinations	1 January 2020
• Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
• Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
• Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
• Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
• Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
• Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
• Amendment to MFRS 138 Intangible Assets	1 January 2020
• Amendment to IC Interpretation 12 Service Concession Arrangements	1 January 2020
• Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
• Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
• Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
• Amendments to IC Interpretation 132 Intangible Assets – Web Site Costs	1 January 2020
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures – <i>Interest Rate Benchmark Reform</i>	1 January 2020

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies

i) Amendments and Annual Improvements adopted by the Group

The adoption of the above pronouncements did not have a material impact on the financial statements of the Group.

ii) Standards, Amendments and Annual Improvements issued but not yet effective

The Group has not adopted the following pronouncements that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A3. Seasonal or Cyclical Factors

There were no significant seasonal or cyclical factors affecting the business operations of the Group.

A4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter except for inventories written down to net realisable value of RM14.0 million as disclosed in Note B2.

A5. Significant Changes in Estimates

There were no significant changes in estimates that have had a material effect during the current quarter.

A6. Debt and Equity Securities

There were no issuance and repayment of debts and equity securities during the current quarter.

A7. Dividend Paid

There was no dividend paid during the current quarter and previous year corresponding quarter.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Revenue

Disaggregation of revenue

The following table illustrates the Group's revenue as disaggregated by major products or services and provides a reconciliation of the disaggregated revenue with the Group's two business segments as disclosed in Note A9. The table also includes the timing of revenue recognition.

	Tin Smelting RM'000	Tin Mining RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
For 3 months ended 31 March 2020					
Major products or services:					
Sale of tin	192,593	36,673	229,266	(36,673)	192,593
Smelting revenue	8,538	-	8,538	-	8,538
Sale of by-products	3,421	-	3,421	-	3,421
Others	762	-	762	-	762
	<u>205,314</u>	<u>36,673</u>	<u>241,987</u>	<u>(36,673)</u>	<u>205,314</u>
Timing of revenue recognition					
At a point in time	<u>205,314</u>	<u>36,673</u>	<u>241,987</u>	<u>(36,673)</u>	<u>205,314</u>

For 3 months ended 31 March 2019

Major products or services:					
Sale of tin	292,430	48,346	340,776	(48,346)	292,430
Smelting revenue	6,045	-	6,045	-	6,045
Sale of by-products	7,864	-	7,864	-	7,864
Others	1,107	-	1,107	-	1,107
	<u>307,446</u>	<u>48,346</u>	<u>355,792</u>	<u>(48,346)</u>	<u>307,446</u>
Timing of revenue recognition					
At a point in time	<u>307,446</u>	<u>48,346</u>	<u>355,792</u>	<u>(48,346)</u>	<u>307,446</u>

A9. Segmental Reporting

The revenue of the Group is derived from tin mining and smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sale and delivery of refined tin metal and by-products.

For management purposes, the Group is organised into three reportable operating segments as follows:

(a) Tin Smelting

Tin smelting includes the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sale and delivery of refined tin metal and by-products.

(b) Tin Mining

Tin mining includes activities involving exploration for and mining of tin.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. Segmental Reporting (cont'd)

(c) Others

These include investments in other metal and mineral resources to form a reportable operating segment.

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by operating segments:

	Tin Smelting	Tin Mining	Others	Sub-total	(Eliminations)/ Adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results for 3 months ended 31 March 2020						
Revenue						
Sales to external customers	205,314	-	-	205,314	-	205,314
Inter-segment sales	-	36,673	-	36,673	(36,673)	-
Total revenue	205,314	36,673	-	241,987	(36,673)	205,314
Results						
Operating (loss)/profit	(21,179)	6,642	(22)	(14,559)	2,698	(11,861)
Finance costs	(3,121)	(359)	(101)	(3,581)	-	(3,581)
Share of results of associates and joint ventures	-	-	(327)	(327)	-	(327)
(Loss)/Profit before tax	(24,300)	6,283	(450)	(18,467)	2,698	(15,769)
Income tax credit/(expense)	5,025	(1,798)	-	3,227	(648)	2,579
(Loss)/Profit net of tax	(19,275)	4,485	(450)	(15,240)	2,050	(13,190)
Results for 3 months ended 31 March 2019						
Revenue						
Sales to external customers	307,446	-	-	307,446	-	307,446
Inter-segment sales	-	48,346	-	48,346	(48,346)	-
Total revenue	307,446	48,346	-	355,792	(48,346)	307,446
Results						
Operating profit/(loss)	4,914	13,084	(24)	17,974	(2,950)	15,024
Finance costs	(3,469)	(299)	(126)	(3,894)	-	(3,894)
Share of results of associates and joint ventures	-	-	236	236	-	236
Profit before tax	1,445	12,785	86	14,316	(2,950)	11,366
Income tax (expense)/credit	(61)	(3,412)	-	(3,473)	708	(2,765)
Profit net of tax	1,384	9,373	86	10,843	(2,242)	8,601

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. Segmental Reporting (cont'd)

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Assets and Liabilities as at 31 March 2020						
Assets						
Segment assets	699,249	72,702	8,178	780,129	(1,237)	778,892
Investment in associates and joint ventures	-	-	30,753	30,753	-	30,753
Total assets	699,249	72,702	38,931	810,882	(1,237)	809,645
Liabilities						
Segment liabilities	408,657	45,844	94	454,595	-	454,595
Assets and Liabilities as at 31 December 2019						
Assets						
Segment assets	715,591	71,750	9,771	797,112	(3,288)	793,824
Investment in associates and joint ventures	-	-	30,436	30,436	-	30,436
Total assets	715,591	71,750	40,207	827,548	(3,288)	824,260
Liabilities						
Segment liabilities	406,306	48,679	81	455,066	-	455,066

A10. Property, Plant and Equipment

The same valuation of land and buildings has been brought forward from the previous audited financial statements for the year ended 31 December 2019.

A11. Event After the Reporting Period

There was no material event subsequent to end of the current quarter.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A13. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets during the current quarter except for the following:

A subsidiary defended a legal action brought about by two companies (“Plaintiffs”) for the payment of tributes. Following completion of the trial on 26 July 2019, the decision delivered by the judge on 31 July 2019 was in subsidiary’s favour. The two companies have filed an Appeal at the Court Of Appeal. The hearing of the Appeal is currently fixed on 24 August 2020. The estimated liability is approximately RM54.6 million as at 31 December 2019 should the Plaintiffs action be successful.

The Board, having obtained advice from its legal counsel, is of the opinion that the Plaintiff’s appeal is unlikely (i.e. possible, but not probable) to succeed and accordingly no provision for liability is required to be made in the financial statements.

In connection with the abovementioned case, the subsidiary has separately instituted legal action against two former executive officers of the Company, the above two companies, and certain persons connected with the two companies, claiming for damages for breach of fiduciary duties, conspiracy, dishonest assistance. The Defendants have applied to the Court to strike out the subsidiary’s claim. The respective case management and hearing for the strike out have been fixed on 30 July 2020.

In the Directors’ opinion, disclosure of additional information about the above matter would be prejudicial to the interests of the Group.

A14. Capital Commitments

Capital commitments of the Group as at 31 March 2020 are as follows:

	31.03.2020	31.12.2019
	RM’000	RM’000
Approved and contracted for	17,276	16,361
Approved but not contracted for	1,845	1,598
	19,121	17,959

A15. Related Party Transactions

There were no significant transactions with related party in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2019.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A16. Fair Value of Assets and Liabilities

The Group classified fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group held the following financial assets and liabilities that are measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
At 31 March 2020				
Assets measured at fair value:				
Land and buildings	-	-	49,783	49,783
Investment securities	8,168	-	-	8,168
Liabilities measured at fair value:				
Derivative financial instruments – current	1,991	4,705	-	6,696
At 31 December 2019				
Assets measured at fair value:				
Land and buildings	-	-	50,128	50,128
Investment securities	9,762	-	-	9,762
Derivative financial instruments - current	-	1,078	-	1,078
Liabilities measured at fair value:				
Derivative financial instruments - current	797	994	-	1,791

There has been no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial assets/liabilities that may subsequently result in a different classification of those assets/liabilities during the current quarter.

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2019 was unqualified.

B2. Profit/(Loss) Before Tax

The following items have been included in arriving at the profit/(loss) before tax:

	3 months ended 31.03.2020 RM'000	3 months ended 31.03.2019 RM'000
<i>After charging/(crediting):</i>		
Depreciation and amortisation	5,055	3,392
Fair value loss/(gain) in derivative financial instruments		
- Forward tin contracts	1,194	(1,336)
- Forward currency contracts	4,789	1,358
Net foreign exchange gain	(471)	(930)
Interest income	(160)	(282)
Inventories written down to net realisable value	14,000	-
Other income including investment income	(29)	(136)

Save as disclosed above, there was no material impairment of assets recognised as a loss during the current quarter.

B3. Income Tax (Expense)/Credit

Income tax (expense)/credit comprises the following:

	3 months ended 31.03.2020 RM'000	3 months ended 31.03.2019 RM'000
Income tax		
- Current provision	(1,878)	(4,892)
Deferred tax		
- Relating to origination and reversal of temporary differences	4,457	2,127
Total income tax credit/(expense)	2,579	(2,765)

For the current quarter, the effective tax rate for the Group was lower than the statutory tax rate in Malaysia mainly due to certain non-tax deductible expenses and the absence of Group tax relief.

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B4. Corporate Proposal

There was no corporate proposal announced but not completed as at 18 June 2020, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report.

B5. Trade Receivables

The age analysis of trade receivable of the Group as at 31 March 2020 is as follows:

	Not past due RM'000	← Past due →					Total RM'000
		< 30 days RM'000	30 to 60 days RM'000	61 to 90 days RM'000	91 to 120 days RM'000	>120 days RM'000	
Trade receivables as at 31.03.2020	5,379	-	222	54	11	43	5,709
Trade receivables as at 31.12.2019	13,556	-	74	10	-	36	13,676

The Group's normal trade credit terms granted to related and non-related parties range from cash term to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has trade receivables amounting to RM330,000 that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are from creditworthy customers.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD**

B6. Loans and Borrowings

Details of the Group's loans and borrowings as at 31 March 2020 are as follows:

	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
Short Term Borrowings (unsecured)		
Short term trade financing	30,105	1,769
Bankers' acceptances / Trust receipt	161,272	185,143
Revolving credit	30,000	30,000
Term loan	49,206	49,259
	270,583	266,171

Amount denominated in foreign currency	'000	'000
Short term trade financing (US dollars)	6,957	432
Term loan (Singapore dollars)	16,200	16,200

During the 3 months ended 31 March 2020, the Group increased its total borrowings by approximately 1.7% from RM266.2 million as at 31 December 2019 to RM270.6 million as at 31 March 2020 due to drawdown of short term trade borrowings for working capital requirements. Consequentially, the gearing ratio of the Group increased to 0.8 times as at 31 March 2020 from 0.7 times as at 31 December 2019. Gearing ratio is defined as total bank borrowings over total equity.

The weighted average interest rate of short term borrowings excluding revolving credit and term loan as at 31 March 2020 for the Group was 3.5% (2019: 3.9%) per annum. Revolving credit as at 31 March 2020 bears interest rate of 5.3% (2019: 5.3%) per annum.

Term loan of the Group denominated in Singapore dollar (SGD) was hedged to Ringgit Malaysia (RM) at an average exchange rate of RM/SGD 3.1380. The term loan bears a fixed interest rate of 4.2% per annum.

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B7. Derivative Financial Instruments

(a) Foreign Exchange

The Group has exposure to fluctuations in foreign exchange rates in both the investment in foreign entities and business transactions. The Group's foreign exchange risk exposure is mainly in United States Dollar and Singapore Dollar.

Due to the concentration of its purchases and sales in United States Dollar, there is a natural hedge and the exposure to United States Dollar foreign exchange risk for business transactions is minimised. The Group also uses forward currency contracts to manage foreign exchange risk.

(b) Tin Prices

The Group is exposed to tin price risk on sales and purchases of tin. The Group uses forward tin contracts for tin trading, arbitraging for profit and to manage tin price risk.

Derivative financial instruments entered into by the Group are similar to those disclosed in the annual financial statements for the financial year ended 31 December 2019.

The outstanding forward tin contracts and forward foreign currency contracts as at 31 March 2020 are as follows:

Derivative Financial Instruments	Contract Value RM'000	Fair Value RM'000	Fair Value – Financial Assets/(Liabilities) RM'000
At 31 March 2020			
Forward Tin Contracts - Less than 1 year	21,012	19,021	(1,991)
Forward Currency Contracts - Less than 1 year	136,573	138,299	(4,705)
At 31 December 2019			
Forward Tin Contracts - Less than 1 year	29,777	30,653	(797)
Forward Currency Contracts - Less than 1 year	124,893	122,774	84

B8. Material Litigation

There was no material litigation as at 18 June 2020, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report, except as disclosed in Note A13.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
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B9. Material Change in the Quarterly Results as Compared with the Preceding Quarter

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.03.2020 RM'000	Immediate Preceding Quarter 31.12.2019 RM'000	Changes %
Revenue	205,314	182,732	12%
Operating Loss	(11,861)	(7,999)	48%
Loss Before Interest and Tax	(12,188)	(12,304)	(1%)
Loss Before Tax	(15,769)	(16,404)	(4%)
Loss After Tax	(13,190)	(15,953)	(17%)
Loss Attributable to Owners of the Company	(13,188)	(15,952)	(17%)

1Q 2020 vs. 4Q 2019 (QoQ)

Group revenue was RM205.3 million in 1Q 2020 as compared with RM182.7 million in 4Q 2019. This was mainly due to higher sales quantity of refined tin in 1Q 2020.

The Group recorded a loss before tax of RM15.8 million in 1Q 2020 as compared with a loss before tax of RM16.4 million in 4Q 2019. The loss arose mainly from tin smelting segment, as explained in the following paragraphs.

The tin smelting segment recorded a loss before tax of RM24.3 million in 1Q 2020 as compared with a loss before tax of RM22.5 million in 4Q 2019. This was mainly due to inventories written down to net realisable value of RM14.0 million due to lower tin prices, and disruptions in the supply and demand chain for tin as a result of the Covid-19 pandemic and prolonged trade tensions. Plant shut down in second half of March 2020 due to Movement Control Order ("MCO") implemented by the Government as a preventive measure towards Covid-19 pandemic, has also affected the performance in 1Q 2020.

The tin mining segment recorded a profit before tax of RM6.3 million in 1Q 2020 as compared with RM11.0 million in 4Q 2019. This was mainly due to lower sales quantity in 1Q 2020 as a result of mining operation shut down in second half of March 2020 following the implementation of MCO.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.3 million in 1Q 2020 as compared with a net share of loss of RM4.3 million in 4Q 2019. The share of losses of associates in 4Q 2019 included adjustments of RM1.6 million to restate the associate's investment properties located overseas to depreciated cost in order to align with the Group's policy. The market value and depreciated cost of these properties as at 31 December 2019 are RM4.3 million and RM0.5 million respectively.

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OF BURSA MALAYSIA SECURITIES BERHAD**

B10. Review of Performance

Financial review for current quarter and financial year to date

	Individual Period (1 st quarter)		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter	
	31.03.2020 RM'000	31.03.2019 RM'000	
Revenue	205,314	307,446	(33%)
Operating (Loss)/Profit	(11,861)	15,024	(179%)
(Loss)/Profit Before Interest and Tax	(12,188)	15,260	(180%)
(Loss)/Profit Before Tax	(15,769)	11,366	(239%)
(Loss)/Profit After Tax	(13,190)	8,601	(253%)
(Loss)/Profit Attributable to Owners of the Company	(13,188)	8,601	(253%)

1Q 2020 vs. 1Q 2019 (YoY)

Group revenue was RM205.3 million in 1Q 2020 as compared with RM307.4 million in 1Q 2019. This was mainly due to lower average tin prices and lower sales quantity of refined tin in 1Q 2020.

The Group recorded a loss before tax of RM15.8 million in 1Q 2020 as compared with a profit before tax of RM11.4 million in 1Q 2019. This was mainly due to loss recorded in the tin smelting segment and lower profit in the tin mining segment, as explained in the following paragraphs.

The tin smelting segment recorded a loss before tax of RM24.3 million in 1Q 2020 as compared with a profit before tax of RM1.4 million in 1Q 2019. This was mainly due to inventories written down to net realisable value of RM14.0 million due to lower tin prices, disruptions in the supply and demand chain for tin as a result of the Covid-19 pandemic and prolonged trade tensions, and lower profit from sale of by-products. Plant shut down in second half of March 2020 due to Movement Control Order ("MCO") implemented by the Government as a preventive measure towards Covid-19 pandemic, has also affected the performance in 1Q 2020.

The tin mining segment recorded a profit before tax of RM6.3 million in 1Q 2020 as compared with RM12.8 million in 1Q 2019. This was mainly due to lower tin prices and lower sales quantity in 1Q 2020 as a result of mining operation shut down in second half of March 2020 following the implementation of MCO.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.3 million in 1Q 2020 as compared with a net share of profit of RM0.2 million in 1Q 2019.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
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B11. Prospects

The remaining period of 2020 is expected to be challenging due to the impact of COVID-19 pandemic on the Global Economy. The uncertainty surrounding the duration and impact of the pandemic which is felt around the World, and countries imposing full/partial lockdowns has disrupted the tin industry's supply and demand chain which led to decline in tin prices and build-up in tin inventories. This is further exacerbated by the prolonged global trade tensions that started in 2019. The COVID-19 shockwaves are expected to be felt through-out the first half of 2020, and the aftermath of which may continue until the end of 2020.

The Group will continue to focus on its operational efficiencies and improve on all areas of operations, technology, manpower and logistics. Plans to commence full operations in the Pulau Indah plant, using newer and more efficient technology and a more productive work force are under way. With the utilisation of the ISASMELT furnace, we expect to reduce operational and manpower costs, while improving our carbon footprint. We expect this new plant to be fully operational in the near term.

Resulting from the rationalisation of the Group's business operations, we expect overheads to increase as we run two plants which will impact our financial performance. Once the move is completed, we expect to be operationally efficient.

For our tin mining segment, we have undertaken efforts to increase daily mining output and improve our overall mining productivity, and the Group will also look at potential joint ventures to expand its mining activities.

B12. (Loss)/Earnings Per Share Attributable to Owners of the Company

	3 months ended 31.03.2020	3 months ended 31.03.2019
(Loss)/Profit net of tax attributable to owners of the Company (RM'000)	(13,188)	8,601
Weighted average number of ordinary shares in issue ('000)	400,000	400,000
Basic and diluted (loss)/earnings per share (sen)	(3.3)	2.2

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD**

B13. Dividend

The Board of Directors has recommended, for approval at the forthcoming Annual General Meeting, payment of a first and final single tier dividend of RM0.02 per share (2018: RM0.02 per share) amounting to RM8,000,000 (2018: RM8,000,000) for the financial year ended 31 December 2019. The book closure date and the date of the payment of the dividend will be determined at a later date.

Authorised for Issue

The Interim results was authorised for issue by the Board in accordance with a resolution of the Directors on 24 June 2020.