



MALAYSIA SMELTING CORPORATION BERHAD

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)

26 February 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		As at 31.12.2017 Unaudited RM'000	As at 31.12.2016 Audited RM'000
Assets	Note		
Non-current assets			
Property, plant and equipment		156,309	154,615
Prepaid land lease payments		740	773
Base inventory		3,000	3,000
Intangible assets		5,942	6,995
Investment in associates and joint ventures		35,228	37,336
Investment securities		21,205	23,423
Other non-current assets		14,445	15,025
Deferred tax assets		7,591	3,986
		244,460	245,153
Current assets			
Inventories		469,974	374,249
Trade receivables	B5	11,520	30,733
Other receivables		9,345	12,969
Trade prepayments		49,694	36,267
Other prepayments		2,464	3,352
Tax recoverable		19,312	11,480
Derivative financial instruments		375	-
Cash, bank balances and deposits		68,678	80,391
		631,362	549,441
Total assets		875,822	794,594
Equity and liabilities			
Current liabilities			
Provisions		12,315	12,035
Borrowings	B6	452,781	289,187
Trade and other payables		88,173	126,159
Current tax payable		51	5,338
Derivative financial instruments		2,458	2,676
		555,778	435,395
Net current assets		75,584	114,046
Non-current liabilities			
Provisions		27,904	26,728
Deferred tax liabilities		1,343	1,959
Borrowings	B6	-	50,282
Derivative financial instruments		-	847
		29,247	79,816
Total liabilities		585,025	515,211
Net assets		290,797	279,383
Equity attributable to owners of the Company			
Share capital		176,372	100,000
Share premium		-	76,372
Other reserves		41,870	38,383
Retained earnings		72,262	64,334
		290,504	279,089
Non-controlling interest		293	294
Total Equity		290,797	279,383
Total equity and liabilities		875,822	794,594
Net assets per share attributable to owners of the Company (RM)		2.91	2.79

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 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	4 th Quarter 3 months ended		Year to Date 12 months ended	
		31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Revenue		318,519	350,136	1,436,177	1,477,941
Operating (loss)/profit		(8,863)	(23,878)	43,024	62,246
Finance costs		(4,198)	(2,941)	(14,718)	(12,650)
Share of results of associates and joint ventures		(499)	29,730	(612)	(89)
(Loss)/Profit before tax	B2	(13,560)	2,911	27,694	49,507
Income tax credit/(expense)	B3	202	(529)	(11,767)	(15,175)
(Loss)/Profit net of tax		(13,358)	2,382	15,927	34,332
Attributable to:					
Owners of the Company		(13,358)	2,383	15,928	34,334
Non-controlling interest		-	(1)	(1)	(2)
		(13,358)	2,382	15,927	34,332
(Loss)/Earnings per share attributable to owners of the Company (sen):					
Basic and diluted	B12	(13.4)	2.4	15.9	34.3

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 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	4 th Quarter		Year to Date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit net of tax	(13,358)	2,382	15,927	34,332
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Revaluation surplus on property, plant and equipment, net	5,305	2,881	5,305	2,881
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	(5,222)	3,143	(1,685)	7,974
Share of an associate's revaluation surplus on property, plant and equipment	155	-	155	-
	<u>238</u>	<u>6,024</u>	<u>3,775</u>	<u>10,855</u>
Items that may be subsequently reclassified to profit or loss:				
Net fair value changes on cash flow hedges	-	(538)	1,720	5,394
Realisation of foreign currency translation reserves to profit or loss on partial disposal of a joint venture	-	1,935	-	1,935
Share of foreign currency translation of an associate and a joint venture	(1,156)	(7,517)	(2,008)	(10,042)
	<u>(1,156)</u>	<u>(6,120)</u>	<u>(288)</u>	<u>(2,713)</u>
Other comprehensive income for the year, net of tax	(918)	(96)	3,487	8,142
Total comprehensive income for the year	<u>(14,276)</u>	<u>2,286</u>	<u>19,414</u>	<u>42,474</u>
Total comprehensive income attributable to:				
Owners of the Company	(14,276)	2,287	19,415	42,476
Non-controlling interest	-	(1)	(1)	(2)
	<u>(14,276)</u>	<u>2,286</u>	<u>19,414</u>	<u>42,474</u>

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 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

		Attributable to owners of the Company										
		Non - Distributable						Distributable				
RM'000	Note	Share capital	Share premium	Revaluation reserves	Foreign currency translation reserves	Available-for-sale reserves	FVOCI reserves	Hedging reserves	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2017		100,000	76,372	31,726	3,206	-	5,171	(1,720)	64,334	279,089	294	279,383
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note a)		76,372	(76,372)	-	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	15,928	15,928	(1)	15,927
Other comprehensive income		-	-	5,460	(2,008)	-	(1,685)	1,720	-	3,487	-	3,487
Total comprehensive income		-	-	5,460	(2,008)	-	(1,685)	1,720	15,928	19,415	(1)	19,414
Transactions with owners of the Company:												
Dividend paid	A7	-	-	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)
At 31 December 2017		176,372	-	37,186	1,198	-	3,486	-	72,262	290,504	293	290,797
At 1 January 2016		100,000	76,372	28,845	11,313	391	-	(7,114)	31,151	240,958	296	241,254
Effect of MFRS 9 <i>Financial Instruments</i> adoption		-	-	-	-	(391)	(2,803)	-	(1,151)	(4,345)	-	(4,345)
At 1 January 2016 (restated)		100,000	76,372	28,845	11,313	-	(2,803)	(7,114)	30,000	236,613	296	236,909
Profit for the year		-	-	-	-	-	-	-	34,334	34,334	(2)	34,332
Other comprehensive income		-	-	2,881	(8,107)	-	7,974	5,394	-	8,142	-	8,142
Total comprehensive income		-	-	2,881	(8,107)	-	7,974	5,394	34,334	42,476	(2)	42,474
At 31 December 2016		100,000	76,372	31,726	3,206	-	5,171	(1,720)	64,334	279,089	294	279,383

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the concept of authorized share capital and par value of share capital have been abolished. Consequently, the credit standing in the share premium account of RM76,372,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact of the number of ordinary shares in issue.

Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

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 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Operating activities		
Operating cash flows before changes in working capital	54,875	86,380
Increase in inventories	(95,725)	(87,734)
Decrease in trade and other receivables	26,739	4,362
(Increase)/Decrease in trade prepayments	(13,427)	39,135
Decrease/(Increase) in other prepayments	1,857	(1,753)
(Decrease)/Increase in payables	(37,407)	37,028
(Decrease)/Increase in amount due to holding company	(539)	611
(Increase)/Decrease in amount due from associates and joint ventures	(3,501)	3,277
Cash (used in)/generated from operations	(67,128)	81,306
Income tax paid	(29,100)	(15,940)
Interest paid	(14,438)	(10,825)
Net cash (used in)/generated from operating activities	(110,666)	54,541
Investing activities		
Interest received	1,503	3,102
Net dividend received from an associate	9	9
Payment for deferred mine exploration and evaluation expenditures and mine properties	(426)	(3,657)
Payment for intangible assets	(65)	-
Withdrawal of deposits of more than three months maturity with licensed banks	-	3,234
Proceeds from disposal of intangible assets	135	-
Proceeds from disposal of property, plant and equipment	1,084	84
Purchase of property, plant and equipment	(9,900)	(53,751)
Net cash used in investing activities	(7,660)	(50,979)
Financing activities		
Dividend paid	(8,000)	-
Drawdown/(Repayment) of short term trade financing and other borrowings	114,430	(97,361)
Drawdown of term loan	-	49,993
Repayment of term loan	-	(6,011)
Net cash generated from/(used in) financing activities	106,430	(53,379)
Net decrease in cash and cash equivalents	(11,896)	(49,817)
Effect of changes in foreign exchange rates	(34)	(501)
Cash and cash equivalents as at 1 January	76,873	127,191
Cash and cash equivalents as at 31 December	64,943	76,873
	2017	2016
	RM'000	RM'000
Cash and bank balances comprise the following at 31 December:		
Cash and short term deposits	64,943	76,873
Deposits of more than three months maturity with licensed banks	3,735	3,518
	68,678	80,391

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 January 2017 RM'000	Cash flows RM'000	Non-cash changes Foreign exchange movement RM'000	Carrying amount as at 31 December 2017 RM'000
Short term borrowings	289,187	114,430	-	403,617
Term loan	50,282	-	(1,118)	49,164
Total liabilities from financing activities	339,469	114,430	(1,118)	452,781

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 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

These condensed consolidated Interim Financial Report have 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 consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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 2016.

The Company has a secondary listing on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Under the listing rules of the SGX-ST, the Company is required to provide a reconciliation of its periodic financial statements from Malaysian Financial Reporting Standards ("MFRS") to Singapore Financial Reporting Standards ("Singapore FRSS").

For the period under review, there are no material differences in the Group's profit for the period, and the Group's equity attributable to owners of the Company under MFRSs and Singapore FRSS except as disclosed in Appendix A.

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 2016 except for the adoption of the pronouncements that became effective from 1 January 2017.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107 Statement of Cash Flows - <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 Income Taxes - <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 12 Disclosure of Interests in Other Entities (<i>Annual Improvements to MFRSs 2014 - 2016 Cycle</i>)	1 January 2017

The adoption of the above pronouncements did not have material impact on the financial statements of the Group, except as disclosed below:

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. The amendments affect presentation and disclosure in financial statements only and have no impact on the Group's financial position or performance.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

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 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11 Joint Arrangements (Annual Improvements to MFRSs 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRSs 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 123 Borrowings Costs (Annual Improvements to MFRSs 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above pronouncements is not expected to have material impact on the financial statements in the period of initial application, except as disclosed below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

ii) **Standards, Amendments and Annual Improvements issued but not yet effective (cont'd)**

MFRS 15 Revenue from Contracts with Customers (cont'd)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than disclosures made in the Group’s financial statements.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is currently assessing the impact of MFRS 16.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 and financial year-to-date ended 31 December 2017.

A5. Significant Changes in Estimates

There were no significant changes in estimates that have had a material effect during the current quarter and financial year-to-date ended 31 December 2017.

A6. Debt and Equity Securities

There were no issuance and repayment of debts and equity securities during the current quarter and financial year-to-date ended 31 December 2017.

A7. Dividend Paid

The following dividends were paid during the current financial year ended 31 December 2017. No dividend was paid during the previous corresponding financial year ended 31 December 2016:

	31.12.2017	31.12.2016
Final dividend		
For the financial year ended	31 December 2016	31 December 2015
Approved and declared on	17 May 2017	-
Date paid	11 July 2017	-
Number of ordinary shares on which dividends were paid ('000)	100,000	-
Dividend per share (single-tier)	8.0 sen	-
Dividend paid (RM'000)	8,000	-

A8. 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

A8. 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 RM'000	Tin Mining RM'000	Others RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Results for 3 months ended 31 December 2017						
Revenue						
Sales to external customers	318,519	-	-	318,519	-	318,519
Inter-segment sales	-	44,197	-	44,197	(44,197)	-
Total revenue	318,519	44,197	-	362,716	(44,197)	318,519
Results						
Operating (loss)/profit	(19,581)	10,617	349	(8,615)	(248)	(8,863)
Finance costs	(3,866)	(255)	(77)	(4,198)	-	(4,198)
Share of results of associates and joint ventures	-	-	(499)	(499)	-	(499)
(Loss)/Profit before tax	(23,447)	10,362	(227)	(13,312)	(248)	(13,560)
Income tax credit/(expense)	2,279	(2,137)	-	142	60	202
(Loss)/Profit net of tax	(21,168)	8,225	(227)	(13,170)	(188)	(13,358)

Results for 3 months ended 31 December 2016

Revenue

Sales to external customers	350,136	-	-	350,136	-	350,136
Inter-segment sales	8	52,798	449	53,255	(53,255)	-
Total revenue	350,144	52,798	449	403,391	(53,255)	350,136

Results

Operating (loss)/profit	(32,930)	18,364	(3,365)	(17,931)	(5,947)	(23,878)
Finance costs	(2,927)	(180)	166	(2,941)	-	(2,941)
Share of results of associates and joint ventures	-	-	29,730	29,730	-	29,730
(Loss)/Profit before tax	(35,857)	18,184	26,531	8,858	(5,947)	2,911
Income tax credit/(expense)	3,691	(5,577)	(70)	(1,956)	1,427	(529)
(Loss)/Profit net of tax	(32,166)	12,607	26,461	6,902	(4,520)	2,382

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Segmental Reporting (cont'd)

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total
Results for 12 months ended 31 December 2017						
Revenue						
Sales to external customers	1,436,177	-	-	1,436,177	-	1,436,177
Inter-segment sales	-	183,518	-	183,518	(183,518)	-
Total revenue	1,436,177	183,518	-	1,619,695	(183,518)	1,436,177
Results						
Operating (loss)/profit	(8,095)	48,138	277	40,320	2,704	43,024
Finance costs	(13,057)	(1,022)	(639)	(14,718)	-	(14,718)
Share of results of associates and joint ventures	-	-	(612)	(612)	-	(612)
(Loss)/Profit before tax	(21,152)	47,116	(974)	24,990	2,704	27,694
Income tax credit/(expense)	1,118	(12,236)	-	(11,118)	(649)	(11,767)
(Loss)/Profit net of tax	(20,034)	34,880	(974)	13,872	2,055	15,927
Results for 12 months ended 31 December 2016						
Revenue						
Sales to external customers	1,477,941	-	-	1,477,941	-	1,477,941
Inter-segment sales	8	174,366	1,796	176,170	(176,170)	-
Total revenue	1,477,949	174,366	1,796	1,654,111	(176,170)	1,477,941
Results						
Operating profit/(loss)	30,445	41,007	(2,926)	68,526	(6,280)	62,246
Finance costs	(11,009)	(720)	(921)	(12,650)	-	(12,650)
Share of results of associates and joint ventures	-	-	(89)	(89)	-	(89)
Profit/(Loss) before tax	19,436	40,287	(3,936)	55,787	(6,280)	49,507
Income tax expense	(5,168)	(11,286)	(226)	(16,680)	1,505	(15,175)
Profit/(Loss) net of tax	14,268	29,001	(4,162)	39,107	(4,775)	34,332

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Segmental Reporting (cont'd)

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total
Assets and Liabilities as at 31 December 2017						
Assets						
Segment assets	752,811	69,449	21,211	843,471	(2,877)	840,594
Investment in associates and joint ventures	-	-	35,228	35,228	-	35,228
Total assets	752,811	69,449	56,439	878,699	(2,877)	875,822
Liabilities						
Segment liabilities	528,099	56,883	43	585,025	-	585,025
Assets and Liabilities as at 31 December 2016						
Assets						
Segment assets	670,061	68,936	23,642	762,639	(5,381)	757,258
Investment in associates and joint ventures	-	-	37,336	37,336	-	37,336
Total assets	670,061	68,936	60,978	799,975	(5,381)	794,594
Liabilities						
Segment liabilities	468,281	46,899	480	515,660	(449)	515,211

A9. Property, Plant and Equipment

The land and buildings have been revalued in December 2017, giving a net revaluation surplus of RM5.4 million.

A10. Event After the Reporting Period

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

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date ended 31 December 2017.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A12. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets during the current quarter and financial year-to-date ended 31 December 2017 except for the following:

A subsidiary is defending a legal action brought by two companies. The subsidiary has strong grounds to defend the action based on legal advice. The legal suit is currently pending hearing. In the Directors' opinion, disclosure of additional information about the above matter would be prejudicial to the interests of the Group.

A13. Capital Commitments

Capital commitments of the Group as at 31 December 2017 are as follows:

	31.12.2017 RM'000	31.12.2016 RM'000
Approved and contracted for	18,602	287
Approved but not contracted for	6,420	29,098
	25,022	29,385

A14. 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 2016.

A15. 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)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A15. Fair Value of Assets and Liabilities (cont'd)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2017				
Assets measured at fair value:				
Land and buildings	-	-	89,528	89,528
Investment securities	21,205	-	-	21,205
Derivative financial instruments	-	375	-	375
Liabilities measured at fair value:				
Derivative financial instruments	-	2,458	-	2,458
At 31 December 2016				
Assets measured at fair value:				
Land and buildings	-	-	83,755	83,755
Investment securities	23,423	-	-	23,423
Liabilities measured at fair value:				
Derivative financial instruments	-	3,523	-	3,523

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 resulted in a different classification of that assets/liabilities during the current quarter and financial year-to-date ended 31 December 2017.

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 2016 was unqualified.

B2. Profit/(Loss) Before Tax

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

	4 th Quarter ended 31.12.2017 RM'000	4 th Quarter ended 31.12.2016 RM'000	12 months ended 31.12.2017 RM'000	12 months ended 31.12.2016 RM'000
After charging/(crediting):				
Depreciation and amortisation	3,796	2,956	14,999	11,159
Favourable inventory valuation adjustment	-	-	-	(17,400)
Fair value loss in derivative financial instruments				
- Forward currency contracts	1,067	887	823	1,242
- Forward commodity contracts	-	(147)	-	(686)
Net foreign exchange (gain)/loss	(5,071)	23,908	(1,772)	7,975
Gain on disposal of property, plant and equipment	-	-	(157)	(59)
Gain on partial disposal of a joint venture	-	(11,541)	-	(11,541)
Interest income	(317)	(454)	(1,659)	(3,493)
Impairment of advances to supplier	-	31,202	-	31,202
(Reversal of impairment)/Impairment of investment in associates and joint ventures	(366)	766	(366)	766
Impairment of receivables	-	5,552	-	5,568
(Gain)/Loss on disposal of intangible assets	(2)	-	14	-
Other income including investment income	(2,366)	(2,184)	(6,408)	(4,294)
Write off of other prepayments	-	635	-	635

There was no material impairment of assets recognised as a loss during the current quarter and financial year-to-date ended 31 December 2017.

B3. Income Tax (Expense)/Credit

Income tax (expense)/credit comprises the following:

	4 th Quarter ended 31.12.2017 RM'000	4 th Quarter ended 31.12.2016 RM'000	12 months ended 31.12.2017 RM'000	12 months ended 31.12.2016 RM'000
Income tax				
- Current provision	1,200	(2,174)	(16,252)	(19,597)
- Over/(Under) provision in prior years	-	(1)	270	(343)
	1,200	(2,175)	(15,982)	(19,940)
Deferred tax				
- Relating to origination and reversal of temporary differences	1,133	1,657	6,155	(595)
- Over provision in prior year	(2,131)	(11)	(1,940)	5,360
	(998)	1,646	4,215	4,765
Total income tax credit/(expense)	202	(529)	(11,767)	(15,175)

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

B3. Income Tax (Expense)/Credit (cont'd)

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

B4. Corporate Proposal

There was no corporate proposal announced but not completed as at 16 February 2018, 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 December 2017 is as follows:

	Not past due RM'000	< 30 days RM'000	30 to 60 days RM'000	Past due 61 to 90 days RM'000	91 to 120 days RM'000	>120 days RM'000	Total RM'000
Trade receivables as at 31.12.2017	11,499	-	15	-	-	6	11,520
Trade receivables as at 31.12.2016	30,722	-	5	-	-	6	30,733

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 RM21,000 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 December 2017 are as follows:

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
a) Short Term Borrowings (unsecured)		
Foreign currency trade finance	-	33,011
Bankers' acceptances	403,617	256,176
Term loan	49,164	-
	452,781	289,187
b) Long Term Borrowings (unsecured)		
Term loan	-	50,282
	452,781	339,469

Amount denominated in foreign currency	'000	'000
Foreign currency trade finance (US dollars)	-	7,361
Term loan (Singapore dollars)	16,200	16,200

During the financial year, the Group increased its total borrowings by approximately 33.4% from RM339.5 million as at 31 December 2016 to RM452.8 million as at 31 December 2017 due to drawdown of short term borrowings for working capital requirements. Consequentially, the gearing ratio of the Group increased to 1.6 times as at 31 December 2017 from 1.2 times as at 31 December 2016.

The weighted average interest rate of short term borrowings exclude term loan as at 31 December 2017 for the Group was 3.9% (2016: 3.7%) 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/SGD3.2325. The term loan bears a fixed interest rate of 4.0% per annum.

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

B7. Foreign Currency Exposure and Hedging Policy

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. Derivative financial instruments entered into by the Group are similar to those disclosed in the annual financial statements as at and for the financial year ended 31 December 2016.

The outstanding forward foreign currency contracts as at 31 December 2017 are as follows:

Derivative Financial Instruments	Contract Value RM'000	Fair Value RM'000
At 31 December 2017		
Forward Currency Contracts		
- Less than 1 year	99,900	97,066
At 31 December 2016		
Forward Currency Contracts		
- Less than 1 year	107,772	110,430
- 1 year to 3 years	52,366	51,519

B8. Material Litigation

There was no material litigation as at 16 February 2018, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report.

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

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 31.12.2017 RM'000	Immediate Preceding Quarter 30.09.2017 RM'000	Changes %
Revenue	318,519	403,165	(21%)
Operating (Loss)/Profit	(8,863)	16,047	(155%)
(Loss)/Profit Before Interest and Tax	(9,362)	15,409	(161%)
(Loss)/Profit Before Tax	(13,560)	11,672	(216%)
(Loss)/Profit After Tax	(13,358)	7,647	(275%)
(Loss)/Profit Attributable to Owners of the Company	(13,358)	7,648	(275%)

4Q 2017 vs. 3Q 2017

Group revenue was RM318.5 million in 4Q 2017 as compared with RM403.2 million in 3Q 2017. This was mainly due to lower sales quantity of refined tin and lower tin prices in 4Q 2017.

The Group recorded a loss before tax of RM13.6 million in 4Q 2017 as compared with a profit before tax RM11.7 million in 3Q 2017.

The tin smelting segment recorded a loss before tax of RM23.4 million in 4Q 2017 as compared with a profit before tax of RM0.5 million in 3Q 2017. This was mainly due to lower sales volume, lower profit from sale of by-products, higher production cost and operating expenses.

The tin mining segment recorded a profit before tax of RM10.4 million in 4Q 2017 as compared with RM8.9 million in 3Q 2017. This was mainly due to sale of by-products in 4Q 2017.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.5 million in 4Q 2017 as compared with a net share of loss of RM0.6 million in 3Q 2017.

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

B10. Review of Performance

Financial review for current quarter and financial year to date

	Cumulative Period (12 months)		Changes %	Individual Period (4 th quarter)		Changes %
	Current Year To- date	Preceding Year Corresponding Period		Current Year Quarter	Preceding Year Corresponding Quarter	
	31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000	
Revenue	1,436,177	1,477,941	(3%)	318,519	350,136	(9%)
Operating Profit/(Loss)	43,024	62,246	(31%)	(8,863)	(23,878)	63%
Profit/(Loss) Before Interest and Tax	42,412	62,157	(32%)	(9,362)	5,852	(260%)
Profit/(Loss) Before Tax	27,694	49,507	(44%)	(13,560)	2,911	(566%)
Profit/(Loss) After Tax	15,927	34,332	(54%)	(13,358)	2,382	(661%)
Profit/(Loss) Attributable to Owners of the Company	15,928	34,334	(54%)	(13,358)	2,383	(661%)

12M 2017 vs. 12M 2016

Group revenue was RM1.4 billion for the year ended 31 December 2017 as compared with RM1.5 billion in 2016.

Group profit before tax was RM27.7 million in 2017 as compared with RM49.5 million in 2016.

The tin smelting segment recorded a loss before tax of RM21.2 million in 2017 as compared with a profit before tax of RM19.4 million in 2016. This was mainly due to the absence of a favourable inventory valuation adjustment (RM17.4 million in FY2016), lower sales volume, lower recovery yield, higher production cost and operating expenses.

The tin mining segment recorded a higher profit before tax of RM47.1 million in 2017 as compared with RM40.3 million in 2016. This was mainly due to favourable tin prices in 2017.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.6 million in 2017 as compared with a net share of loss of RM0.1 million in 2016.

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

B10. Review of Performance (cont'd)

4Q 2017 vs. 4Q 2016

Group revenue was RM318.5 million in 4Q 2017 as compared with RM350.1 million in 4Q 2016. This was mainly due to lower sales quantity of refined tin.

Group loss before tax was RM13.6 million in 4Q 2017 as compared with a profit before tax of RM2.9 million in 4Q 2016.

The tin smelting segment recorded a loss before tax of RM23.4 million in 4Q 2017 as compared with a loss before tax of RM35.9 million in 4Q 2016. This was mainly due to the absence of impairment of advances to supplier and receivables, favourable foreign exchange differences, offset by higher production cost and operating expenses.

The tin mining segment recorded a profit before tax of RM10.4 million in 4Q 2017 as compared with RM18.2 million in 4Q 2016. This was mainly due to unfavourable tin prices in 4Q 2017.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.5 million in 4Q 2017 as compared with a net share of profit of RM29.7 million in 4Q 2016. Share of profit in 4Q 2016 was mainly due to the reversal of provision of additional prior years' tax liabilities from the Group's investment in a joint venture, KM Resources, Inc.

B11. Current Year Prospects

Market conditions continue to be challenging as the foreign exchange, global commodity and metal prices including tin continue to fluctuate. However, the Group will continue to focus on operational efficiencies to mitigate these challenges.

The MSC Group is undertaking efforts to improve on all areas of operations, technology, manpower and logistics. Plans to commence full operations in a new plant, using newer and more efficient technology and a more productive work force are under way. We expect this new plant to be operational in the medium term.

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

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

	4 th Quarter ended 31.12.2017	4 th Quarter ended 31.12.2016	12 months ended 31.12.2017	12 months ended 31.12.2016
(Loss)/Profit net of tax attributable to owners of the Company (RM'000)	(13,358)	2,383	15,928	34,334
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic and diluted (loss)/earnings per share (sen)	(13.4)	2.4	15.9	34.3

B13. Breakdown of Retained Earnings into Realised and Unrealised

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	43,904	49,798
- Unrealised	10,209	(1,774)
	<u>54,113</u>	<u>48,024</u>
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(2,932)	(2,782)
- Unrealised	192	464
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	17,517	17,672
- Unrealised	(160)	(125)
	<u>68,730</u>	<u>63,253</u>
Add: Consolidation adjustments	3,532	1,081
Retained earnings as per Interim Financial Report	<u>72,262</u>	<u>64,334</u>

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

B14. Dividend Payable

The Board of Directors has recommended, for approval at the forthcoming Annual General Meeting, payment of a first and final single tier dividend of RM0.04 per share (2016: RM0.08 per share) amounting to RM4,000,000 (2016: RM8,000,000) for the financial year ended 31 December 2017. The book closure date and the date of the payment of the dividend will be determined and announced at a later date.

By Order of the Board
Soo Han Yee
Company Secretary

Kuala Lumpur
22 February 2018

APPENDIX A – RECONCILIATION OF MFRSs WITH SINGAPORE FRSs

Foreign currency translation reserves

Under Singapore FRS, the translation differences on foreign operations are recognised as a separate component of equity. MFRS 1 provides the optional exemption that cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS - 1 January 2011, the cumulative foreign currency translation differences were adjusted to retained earnings.

Singapore FRSs do not provide for this MFRS 1 optional exemption. The reconciliations of equity at the reporting date and for comparative period from MFRSs to Singapore FRSs are provided below:

Reconciliation of equity as at 31 December 2017

	MFRS as at 31.12.2017	Foreign currency translation reserves	Singapore FRS as at 31.12.2017
	RM'000	RM'000	RM'000
Equity			
Foreign currency translation reserves	1,198	408	1,606
Retained earnings	72,262	(408)	71,854

Reconciliation of equity as at 31 December 2016

	MFRS as at 31.12.2016	Foreign currency translation reserves	Singapore FRS as at 31.12.2016
	RM'000	RM'000	RM'000
Equity			
Foreign currency translation reserves	3,206	408	3,614
Retained earnings	64,334	(408)	63,926