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# **MALAYSIA SMELTING CORPORATION BERHAD**

## **INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

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MALAYSIA SMELTING CORPORATION BERHAD (197801006055 (43072-A))

30 October 2020



**Malaysia Smelting Corporation Berhad (197801006055 (43072-A))**  
**Interim Financial Report**  
**For the Third Quarter ended 30 September 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**

	Note	As at 30.09.2020 Unaudited RM'000	As at 31.12.2019 Audited RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		124,973	115,323
Right-of-use assets		9,837	10,386
Land held for development		78,654	78,654
Intangible assets		3,758	4,063
Investments in associates and joint ventures		30,692	30,436
Investment securities		13,912	9,762
Other non-current assets		14,310	13,831
Deferred tax assets		11,154	9,457
		287,290	271,912
<b>Current assets</b>			
Inventories		532,464	467,443
Trade receivables	B5	8,988	13,676
Other receivables		1,187	2,995
Trade prepayments		11,298	5,636
Other prepayments		2,205	1,997
Tax recoverable		25,576	23,785
Derivative financial instruments		836	1,078
Cash, bank balances and deposits		55,734	35,738
		638,288	552,348
<b>Total assets</b>		925,578	824,260
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Provisions		13,991	15,458
Borrowings	B6	373,656	266,171
Trade and other payables		51,724	56,368
Lease liabilities		4,236	6,936
Current tax payable		17	2,133
Derivative financial instruments		1,480	1,791
		445,104	348,857
<b>Net current assets</b>		193,184	203,491
<b>Non-current liabilities</b>			
Provisions		34,760	27,652
Deferred tax liabilities		1,811	1,912
Loan from immediate holding company		73,461	73,461
Lease liabilities		4,486	3,184
		114,518	106,209
<b>Total liabilities</b>		559,622	455,066
<b>Net assets</b>		365,956	369,194
<b>Equity attributable to owners of the Company</b>			
Share capital		200,000	200,000
Other reserves		8,920	4,400
Retained earnings		156,749	164,505
		365,669	368,905
<b>Non-controlling interest</b>		287	289
<b>Total Equity</b>		365,956	369,194
<b>Total equity and liabilities</b>		925,578	824,260
<b>Net assets per share attributable to owners of the Company (RM)</b>		<b>0.91</b>	<b>0.92</b>

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 30 SEPTEMBER 2020**

	Note	3 rd Quarter		Year to Date	
		3 months ended		9 months ended	
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	<b>A8</b>	230,826	204,307	580,785	800,835
Operating profit		20,946	42,748	15,390	73,261
Finance costs		(3,844)	(4,216)	(11,550)	(12,448)
Share of results of associates and joint ventures		240	(390)	(115)	253
<b>Profit before tax</b>	<b>B2</b>	17,342	38,142	3,725	61,066
Income tax expense	<b>B3</b>	(4,804)	(7,589)	(3,483)	(14,428)
<b>Profit net of tax</b>		12,538	30,553	242	46,638
<b>Attributable to:</b>					
Owners of the Company		12,538	30,553	244	46,638
Non-controlling interest		-	-	(2)	-
		12,538	30,553	242	46,638
<b>Earnings per share attributable to owners of the Company (sen):</b>					
Basic and diluted	<b>B12</b>	3.1	7.6	0.1	11.7

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 30 SEPTEMBER 2020**

	3 rd Quarter		Year to Date	
	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
<b>Profit net of tax</b>	12,538	30,553	242	46,638
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	5,262	(1,933)	4,150	(2,074)
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Foreign currency translation	2	(1)	(1)	(1)
Share of foreign currency translation of an associate and a joint venture	(201)	58	371	(288)
	(199)	57	370	(289)
<b>Other comprehensive income for the period, net of tax</b>	5,063	(1,876)	4,520	(2,363)
<b>Total comprehensive income for the period</b>	17,601	28,677	4,762	44,275
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	17,601	28,677	4,764	44,275
Non-controlling interest	-	-	(2)	-
	17,601	28,677	4,762	44,275

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.





**Malaysia Smelting Corporation Berhad (197801006055 (43072-A))**  
**Interim Financial Report**  
**For the Third Quarter ended 30 September 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	9 months ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
<b>Operating activities</b>		
Operating cash flows before changes in working capital	42,409	103,147
Increase in inventories	(79,021)	(22,446)
Decrease in trade and other receivables	6,573	3,444
(Increase)/Decrease in trade prepayments	(5,662)	909
Increase in other prepayments	(397)	(1,503)
Decrease in payables	(4,646)	(42,143)
Decrease in amount due to immediate holding company	(33)	(21)
Decrease in amount due from associates and joint ventures	-	404
<b>Cash (used in)/generated from operations</b>	<b>(40,777)</b>	<b>41,791</b>
Income tax paid	(9,189)	(12,458)
Interest paid	(10,256)	(10,919)
Payment for voluntary separation compensation	(1,548)	-
<b>Net cash (used in)/generated from operating activities</b>	<b>(61,770)</b>	<b>18,414</b>
<b>Investing activities</b>		
Interest received	704	985
Payment for deferred mine exploration and evaluation expenditures and mine properties	(954)	(654)
Payment for right-of-use assets	(755)	-
Proceeds from disposal of non-current assets classified as held for sale	-	4,556
Proceeds from disposal of property, plant and equipment	111	-
Purchase of property, plant and equipment	(11,930)	(10,564)
<b>Net cash used in investing activities</b>	<b>(12,824)</b>	<b>(5,677)</b>
<b>Financing activities</b>		
Dividend paid	(8,000)	(8,000)
Drawdown of short term trade borrowings	108,040	4,715
Payment of lease liability	(5,304)	(2,672)
<b>Net cash generated from/(used in) financing activities</b>	<b>94,736</b>	<b>(5,957)</b>
<b>Net increase in cash and cash equivalents</b>	<b>20,142</b>	<b>6,780</b>
Effect of changes in foreign exchange rates	(146)	4
<b>Cash and cash equivalents as at 1 January</b>	<b>35,738</b>	<b>37,033</b>
<b>Cash and cash equivalents as at 30 September</b>	<b>55,734</b>	<b>43,817</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash and bank balances comprise the following at 30 September:</b>		
Cash and short term deposits	55,734	43,817
Deposits of more than three months maturity with licensed banks	-	-
	<b>55,734</b>	<b>43,817</b>

**Reconciliation of liabilities arising from financing activities:**

	Carrying as at 1 January 2020	← Non-cash changes →			Carrying amount as at 30 September 2020
		Cash flows	Additions	Foreign exchange movement	
	RM'000	RM'000	RM'000	RM'000	RM'000
Lease liabilities	10,120	(5,304)	3,906	-	8,722
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	216,912	108,040	-	(515)	324,437
Term loan	49,259	-	-	(40)	49,219
<b>Total liabilities from financing activities</b>	<b>349,752</b>	<b>102,736</b>	<b>3,906</b>	<b>(555)</b>	<b>455,839</b>

	Carrying as at 1 January 2019	← Non-cash changes →			Carrying amount as at 30 September 2019
		Cash flows	Additions	Foreign exchange movement	
	RM'000	RM'000	RM'000	RM'000	RM'000
Lease liabilities	-	(2,672)	13,831	-	11,159
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	243,838	4,715	-	269	248,822
Term loan	49,177	-	-	(68)	49,109
<b>Total liabilities from financing activities</b>	<b>366,476</b>	<b>2,043</b>	<b>13,831</b>	<b>201</b>	<b>382,551</b>

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.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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 (cont'd)**

**i) Amendments and Annual Improvements adopted by the Group (cont'd)**

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9	Effective immediately

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 16 Leases – COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRSs contained in the document entitled “ <i>Annual Improvements to MFRS Standards 2018-2020</i> ”	1 January 2022
Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment – Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	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 and financial year-to-date ended 30 September 2020 except for inventories written down to net realisable value of RM14.0 million as disclosed in Note B2.



**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**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 30 September 2020.

**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 30 September 2020.

**A7. Dividend Paid**

The following dividends were paid during the current and previous corresponding financial year-to-date ended:

	<b>30.09.2020</b>	<b>30.09.2019</b>
<b>First and final single-tier dividend:</b>		
For financial year ended	31 December 2019	31 December 2018
Approved and declared on	2 September 2020	24 May 2019
Date paid	30 September 2020	28 June 2019
Number of ordinary shares on which dividends were paid ('000)	400,000	400,000
Dividend per share	2.0 sen	2.0 sen
Dividend paid	RM8,000,000	RM8,000,000

**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
<b>For 3 months ended 30 September 2020</b>					
<b>Major products or services:</b>					
Sale of tin	212,648	46,165	258,813	(46,165)	212,648
Smelting revenue	13,057	-	13,057	-	13,057
Sale of by-products	4,500	-	4,500	-	4,500
Others	621	-	621	-	621
	<u>230,826</u>	<u>46,165</u>	<u>276,991</u>	<u>(46,165)</u>	<u>230,826</u>
<b>Timing of revenue recognition</b>					
At a point in time	<u>230,826</u>	<u>46,165</u>	<u>276,991</u>	<u>(46,165)</u>	<u>230,826</u>

**For 3 months ended 30 September 2019**

<b>Major products or services:</b>					
Sale of tin	186,953	38,209	225,162	(38,209)	186,953
Smelting revenue	9,498	-	9,498	-	9,498
Sale of by-products	6,964	-	6,964	-	6,964
Others	892	-	892	-	892
	<u>204,307</u>	<u>38,209</u>	<u>242,516</u>	<u>(38,209)</u>	<u>204,307</u>
<b>Timing of revenue recognition</b>					
At a point in time	<u>204,307</u>	<u>38,209</u>	<u>242,516</u>	<u>(38,209)</u>	<u>204,307</u>

**For 9 months ended 30 September 2020**

<b>Major products or services:</b>					
Sale of tin	540,526	109,596	650,122	(109,596)	540,526
Smelting revenue	26,942	-	26,942	-	26,942
Sale of by-products	11,342	-	11,342	-	11,342
Others	1,975	-	1,975	-	1,975
	<u>580,785</u>	<u>109,596</u>	<u>690,381</u>	<u>(109,596)</u>	<u>580,785</u>
<b>Timing of revenue recognition</b>					
At a point in time	<u>580,785</u>	<u>109,596</u>	<u>690,381</u>	<u>(109,596)</u>	<u>580,785</u>

**For 9 months ended 30 September 2019**

<b>Major products or services:</b>					
Sale of tin	753,460	123,648	877,108	(123,648)	753,460
Smelting revenue	23,695	-	23,695	-	23,695
Sale of by-products	20,915	-	20,915	-	20,915
Others	2,765	-	2,765	-	2,765
	<u>800,835</u>	<u>123,648</u>	<u>924,483</u>	<u>(123,648)</u>	<u>800,835</u>
<b>Timing of revenue recognition</b>					
At a point in time	<u>800,835</u>	<u>123,648</u>	<u>924,483</u>	<u>(123,648)</u>	<u>800,835</u>

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**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.

**(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
<b>Results for 3 months ended 30 September 2020</b>						
<b>Revenue</b>						
Sales to external customers	230,826	-	-	230,826	-	230,826
Inter-segment sales	-	46,165	-	46,165	(46,165)	-
<b>Total revenue</b>	<b>230,826</b>	<b>46,165</b>	<b>-</b>	<b>276,991</b>	<b>(46,165)</b>	<b>230,826</b>
<b>Results</b>						
Operating profit/(loss)	13,584	10,764	(9)	24,339	(3,393)	20,946
Finance costs	(2,982)	(732)	(130)	(3,844)	-	(3,844)
Share of results of associates and joint ventures	-	-	240	240	-	240
Profit before tax	10,602	10,032	101	20,735	(3,393)	17,342
Income tax (expense)/credit	(2,947)	(2,671)	-	(5,618)	814	(4,804)
<b>Profit net of tax</b>	<b>7,655</b>	<b>7,361</b>	<b>101</b>	<b>15,117</b>	<b>(2,579)</b>	<b>12,538</b>

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A9. Segmental Reporting (cont'd)**

	Tin Smelting	Tin Mining	Others	Sub-total	(Eliminations)/ Adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Results for 3 months ended 30 September 2019</b>						
<b>Revenue</b>						
Sales to external customers	204,307	-	-	204,307	-	204,307
Inter-segment sales	-	38,209	-	38,209	(38,209)	-
<b>Total revenue</b>	<b>204,307</b>	<b>38,209</b>	<b>-</b>	<b>242,516</b>	<b>(38,209)</b>	<b>204,307</b>
<b>Results</b>						
Operating (loss)/profit	(10,415)	53,172	(9)	42,748	-	42,748
Finance costs	(3,555)	(553)	(108)	(4,216)	-	(4,216)
Share of results of associates and joint ventures	-	-	(390)	(390)	-	(390)
(Loss)/Profit before tax	(13,970)	52,619	(507)	38,142	-	38,142
Income tax credit/(expense)	5,018	(12,607)	-	(7,589)	-	(7,589)
<b>(Loss)/Profit net of tax</b>	<b>(8,952)</b>	<b>40,012</b>	<b>(507)</b>	<b>30,553</b>	<b>-</b>	<b>30,553</b>
<b>Results for 9 months ended 30 September 2020</b>						
<b>Revenue</b>						
Sales to external customers	580,785	-	-	580,785	-	580,785
Inter-segment sales	-	109,596	-	109,596	(109,596)	-
<b>Total revenue</b>	<b>580,785</b>	<b>109,596</b>	<b>-</b>	<b>690,381</b>	<b>(109,596)</b>	<b>580,785</b>
<b>Results</b>						
Operating (loss)/profit	(4,235)	20,875	(42)	16,598	(1,208)	15,390
Finance costs	(9,673)	(1,544)	(333)	(11,550)	-	(11,550)
Share of results of associates and joint ventures	-	-	(115)	(115)	-	(115)
(Loss)/Profit before tax	(13,908)	19,331	(490)	4,933	(1,208)	3,725
Income tax credit/(expense)	1,647	(5,420)	-	(3,773)	290	(3,483)
<b>(Loss)/Profit net of tax</b>	<b>(12,261)</b>	<b>13,911</b>	<b>(490)</b>	<b>1,160</b>	<b>(918)</b>	<b>242</b>

**A9. Segmental Reporting (cont'd)**

	Tin Smelting	Tin Mining	Others	Sub-total	(Eliminations) /Adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Results for 9 months ended 30 September 2019</b>						
<b>Revenue</b>						
Sales to external customers	800,835	-	-	800,835	-	800,835
Inter-segment sales	-	123,648	-	123,648	(123,648)	-
<b>Total revenue</b>	<b>800,835</b>	<b>123,648</b>	<b>-</b>	<b>924,483</b>	<b>(123,648)</b>	<b>800,835</b>
<b>Results</b>						
Operating (loss)/profit	(5,473)	78,777	(43)	73,261	-	73,261
Finance costs	(10,742)	(1,321)	(385)	(12,448)	-	(12,448)
Share of results of associates and joint ventures	-	-	253	253	-	253
(Loss)/Profit before tax	(16,215)	77,456	(175)	61,066	-	61,066
Income tax credit/(expense)	4,315	(18,743)	-	(14,428)	-	(14,428)
<b>(Loss)/Profit net of tax</b>	<b>(11,900)</b>	<b>58,713</b>	<b>(175)</b>	<b>46,638</b>	<b>-</b>	<b>46,638</b>

**Assets and Liabilities as at 30 September 2020**

<b>Assets</b>						
Segment assets	795,819	89,352	13,921	899,092	(4,206)	894,886
Investment in associates and joint ventures	-	-	30,692	30,692	-	30,692
<b>Total assets</b>	<b>795,819</b>	<b>89,352</b>	<b>44,613</b>	<b>929,784</b>	<b>(4,206)</b>	<b>925,578</b>
<b>Liabilities</b>						
Segment liabilities	<b>502,210</b>	<b>57,315</b>	<b>97</b>	<b>559,622</b>	<b>-</b>	<b>559,622</b>

**Assets and Liabilities as at 31 December 2019**

<b>Assets</b>						
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
<b>Total assets</b>	<b>715,591</b>	<b>71,750</b>	<b>40,207</b>	<b>827,548</b>	<b>(3,288)</b>	<b>824,260</b>
<b>Liabilities</b>						
Segment liabilities	<b>406,306</b>	<b>48,679</b>	<b>81</b>	<b>455,066</b>	<b>-</b>	<b>455,066</b>

## PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

### **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 and financial year-to-date ended 30 September 2020.

### **A13. 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 30 September 2020 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 was fixed on 24 August 2020. However, the Court of Appeal subsequently vacated the hearing and has rescheduled the same to 16 August 2021. The estimated liability is approximately RM54.6 million as at 30 September 2020 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 hearing for the striking out applications was held on 7 October 2020 whereby the learned judge decided that the applications will be decided based on written submission. The decision on the applications is scheduled to be handed down on 5 November 2020.

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

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A14. Capital Commitments**

Capital commitments of the Group as at 30 September 2020 are as follows:

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for	14,804	16,361
Approved but not contracted for	1,134	1,598
	<b>15,938</b>	<b>17,959</b>

**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.

**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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 30 September 2020</b>				
<b>Assets measured at fair value:</b>				
Land and buildings	-	-	49,151	49,151
Investment securities	13,912	-	-	13,912
Derivative financial instruments – current	836	52	-	888
<b>Liabilities measured at fair value:</b>				
Derivative financial instruments – current	-	1,532	-	1,532

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A16. Fair Value of Assets and Liabilities (cont'd)**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>At 31 December 2019</b>				
<b>Assets measured at fair value:</b>				
Land and buildings	-	-	50,128	50,128
Investment securities	9,762	-	-	9,762
Derivative financial instruments - current	-	1,078	-	1,078
<b>Liabilities measured at fair value:</b>				
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 and financial year-to-date ended 30 September 2020.



**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 <sup>rd</sup> Quarter ended 30.09.2020 RM'000	3 <sup>rd</sup> Quarter ended 30.09.2019 RM'000	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
<b>After charging/(crediting):</b>				
Depreciation and amortisation	4,490	4,993	14,396	12,592
Fair value (gain)/loss in derivative financial instruments				
- Forward tin contracts	(1,090)	(111)	(1,633)	(705)
- Forward currency contracts	531	1,168	1,564	1,622
Gain on disposal of property, plant and equipment	(110)	-	(110)	-
Net foreign exchange (gain)/loss	(2,315)	(766)	59	(892)
Interest income	(413)	(318)	(704)	(989)
Inventories written down to net realisable value	-	17,300	14,000	17,300
Other charge/(income) including investment income	1,451	(7,287)	(114)	(8,027)
Reversal of provision for tribute no longer required	-	(48,354)	-	(48,354)

Save as disclosed above, there was no material impairment of assets recognised as a loss during the current quarter and financial year-to-date ended 30 September 2020.

**B3. Income Tax (Expense)/Credit**

Income tax (expense)/credit comprises the following:

	3 <sup>rd</sup> Quarter ended 30.09.2020 RM'000	3 <sup>rd</sup> Quarter ended 30.09.2019 RM'000	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
Income tax				
- Current provision	(2,545)	(2,821)	(5,320)	(11,443)
- Over provision in prior year	37	820	37	820
	(2,508)	(2,001)	(5,283)	(10,623)
Deferred tax				
- Relating to origination and reversal of temporary differences	(2,397)	(7,478)	1,699	(5,695)
- Over provision in prior year	101	1,890	101	1,890
	(2,296)	(5,588)	1,800	(3,805)
<b>Total income tax expense</b>	<b>(4,804)</b>	<b>(7,589)</b>	<b>(3,483)</b>	<b>(14,428)</b>

**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 ended 30 September 2020, 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 24 October 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 30 September 2020 is as follows:

	←	Past due				→	
	Not past due	< 30 days	30 to 60 days	61 to 90 days	91 to 120 days	>120 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables as at 30.09.2020	8,227	-	617	78	15	51	8,988
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 RM761,000 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 30 September 2020 are as follows:

	<b>As at 30.09.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
<b>Short Term Borrowings (unsecured)</b>		
Short term trade financing	17,756	1,769
Bankers' acceptances / Trust receipt	276,681	185,143
Revolving credit	30,000	30,000
Term loan	49,219	49,259
	<b>373,656</b>	<b>266,171</b>

<b>Amount denominated in foreign currency</b>	<b>'000</b>	<b>'000</b>
Short term trade financing (US dollars)	4,271	432
Term loan (Singapore dollars)	16,200	16,200

During the 9 months ended 30 September 2020, the Group increased its total borrowings by approximately 40.4% from RM266.2 million as at 31 December 2019 to RM373.7 million as at 30 September 2020 due to working capital requirements and deferring repayments to take advantage of the moratorium granted by the financial institutions. Consequentially, the gearing ratio of the Group increased to 1.0 times as at 30 September 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 30 September 2020 for the Group was 2.9% (2019: 3.9%) per annum. Revolving credit as at 30 September 2020 bears interest rate of 4.1% (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.

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

**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 30 September 2020 are as follows:

<b>Derivative Financial Instruments</b>	<b>Contract Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Fair Value – Financial Assets/(Liabilities) RM'000</b>
<b>At 30 September 2020</b>			
Forward Tin Contracts			
- Less than 1 year	34,159	33,435	836
Forward Currency Contracts			
- Less than 1 year	135,499	133,913	(1,480)
<b>At 31 December 2019</b>			
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 24 October 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  
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

	<b>Current Quarter 30.09.2020 RM'000</b>	<b>Immediate Preceding Quarter 30.06.2020 RM'000</b>	<b>Changes %</b>
Revenue	230,826	144,645	60%
Operating Profit	20,946	6,305	232%
Profit Before Interest and Tax	21,186	6,277	238%
Profit Before Tax	17,342	2,152	706%
Profit After Tax	12,538	894	1302%
Profit Attributable to Owners of the Company	12,538	894	1302%

3Q 2020 vs. 2Q 2020 (QoQ)

The Group recorded revenue of RM 230.8 million in 3Q 2020 as compared with RM 144.6 million in 2Q 2020, while the Group's profit before tax in 3Q 2020 was RM 17.3 million as compared with RM 2.2 million in 2Q 2020. This was mainly due to increase in average tin prices from RM67,219 (2Q 2020) to RM73,708 (3Q 2020) per metric tonne and higher sales quantity of refined tin in 3Q 2020 as the Group's operations normalized after the MCO period.

The tin smelting segment recorded a profit before tax of RM 10.6 million in 3Q 2020 as compared with a loss before tax of RM 0.2 million in 2Q 2020. This was mainly due to higher average tin prices as stated above, higher sales of refined tin, profit from sale of by-products, and higher smelting revenue in 3Q 2020.

The tin mining segment recorded a profit before tax of RM10.0 million in 3Q 2020 as compared with RM3.0 million in 2Q 2020. This was mainly due to higher average tin prices as stated above and higher sales quantity of refined tin in 3Q 2020.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM 0.2 million in 3Q 2020 as compared with a net share of loss of RM 0.03 million in 2Q 2020.

**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 (9 months)		Changes %	Individual Period (3 <sup>rd</sup> quarter)		Changes %
	Current Year To- date	Preceding Year Corresponding Period		Current Year Quarter	Preceding Year Corresponding Quarter	
	30.09.2020 RM'000	30.09.2019 RM'000		30.09.2020 RM'000	30.09.2019 RM'000	
Revenue	580,785	800,835	(27%)	230,826	204,307	13%
Operating Profit	15,390	73,261	(79%)	20,946	42,748	(51%)
Profit Before Interest and Tax	15,275	73,514	(79%)	21,186	42,358	(50%)
Profit Before Tax	3,725	61,066	(94%)	17,342	38,142	(55%)
Profit After Tax	242	46,638	(99%)	12,538	30,553	(59%)
Profit Attributable to Owners of the Company	244	46,638	(99%)	12,538	30,553	(59%)

9M 2020 vs. 9M 2019 (YoY)

Group revenue was RM580.8 million in the 9 months of the current financial year (9M 2020) as compared with RM800.8 million in 9M 2019, while the Group recorded a profit before tax of RM3.7 million in 9M 2020 as compared with RM61.1 million in 9M 2019.

This was mainly due to lower average tin prices for 9M 2020 of RM69,717 as compared with 9M 2019 of RM79,630 per metric tonne, and lower sales quantity of refined tin in 9M 2020 as a result of the Covid-19 pandemic and disruptions in the smelting and mining operations in 9M 2020 from the temporary closure during MCO period, and the absence of a reversal of provision for tribute no longer required amounting to RM48.4 million that was recorded in 9M 2019.

The tin smelting segment recorded a loss before tax of RM13.9 million in 9M 2020 as compared with a loss before tax of RM16.2 million in 9M 2019. This was mainly due to lower inventories written down (9M 2020: RM14.0 million; 9M 2019: RM17.3 million).

The tin mining segment recorded a profit before tax of RM19.3 million in 9M 2020 as compared with RM77.5 million in 9M 2019. This was mainly due to the absence of a reversal of provision for tribute no longer required amounting to RM48.4 million that was recorded in 9M 2019 and lower average tin prices in 9M 2020.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.1 million in 9M 2020 as compared with a net share of profit of RM0.3 million in 9M 2019.

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

**B10. Review of Performance (cont'd)**

3Q 2020 vs. 3Q 2019 (YoY)

Group revenue was RM230.8 million in 3Q 2020 as compared with RM204.3 million in 3Q 2019, while the Group recorded a profit before tax of RM17.3 million in 3Q 2020 as compared with RM38.1 million in 3Q 2019.

The tin smelting segment recorded a profit before tax of RM10.6 million in 3Q 2020 as compared with a loss before tax of RM14.0 million in 3Q 2019. This was mainly due to the absence of inventories written down by RM17.3 million which was recognised in 3Q 2019, higher average tin prices of RM73,708 (3Q 2020) as compared with RM71,293 (3Q 2019) per metric tonne, higher sales of refined tin and smelting revenue in 3Q 2020.

The tin mining segment recorded a profit before tax of RM10.0 million in 3Q 2020 as compared with RM52.6 million in 3Q 2019. This was mainly due to the absence of a reversal of provision for tribute no longer required amounting to RM48.4 million that was recorded in 3Q 2019.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM0.2 million in 3Q 2020 as compared with a net share of loss of RM0.4 million in 3Q 2019.

**B11. Prospects**

Recent rise in the Covid-19 infections within the country in the form of latest wave of infections, has resulted in the Government adopting harsher movement control measures such as CMCO/EMCO in certain key districts and states. Uncertainties persist about the future course of the pandemic and its further economic and social consequences arising thereafter. Although subsequent easing in control measures/lockdown can lead to a partial recovery, economic activity is likely to remain subdued until health risks abate.

The Covid-19 economic shockwaves will take some time to subside and together with the prolonged global trade tensions will have some profound effects on the tin industry. With that in mind, the Group remains cautious, and will continue to focus on its operational efficiencies and improve on all areas of operations, technology, manpower and logistics. The operation in the Pulau Indah plant, using the newer and more efficient technology and a more productive work force, is currently in the testing stage and it is expected to be fully commissioned in 2021. With the utilisation of the ISASMELT furnace, we will reduce operational and manpower costs, while improving our carbon footprint. 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.

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

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

	<b>3<sup>rd</sup> Quarter ended 30.09.2020</b>	<b>3<sup>rd</sup> Quarter ended 30.09.2019</b>	<b>9 months ended 30.09.2020</b>	<b>9 months ended 30.09.2019</b>
Profit net of tax attributable to owners of the Company (RM'000)	12,538	30,553	244	46,638
Weighted average number of ordinary shares in issue ('000)	400,000	400,000	400,000	400,000
<b>Basic and diluted earnings per share (sen)</b>	<b>3.1</b>	<b>7.6</b>	<b>0.1</b>	<b>11.7</b>

**B13. Dividend**

There was no dividend declared in the current quarter and financial year-to-date ended 30 September 2020.

**Authorised for Issue**

The Interim results was authorised for issue by the Board in accordance with a resolution of the Directors on 30 October 2020.