



MALAYSIA SMELTING CORPORATION BERHAD

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)

8 August 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

| | | As at 30.06.2019 Unaudited RM'000 | As at 31.12.2018 Audited RM'000 |
|---|-------------|--|--|
| Assets | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | | 110,300 | 109,619 |
| Prepaid land lease payments | | - | 485 |
| Right-of-use assets | | 13,150 | - |
| Land held for development | | 78,654 | 78,654 |
| Intangible assets | | 4,568 | 5,014 |
| Investments in associates and joint ventures | | 35,441 | 35,144 |
| Investment securities | | 14,364 | 14,505 |
| Other non-current assets | | 14,043 | 14,041 |
| Deferred tax assets | | 13,790 | 11,853 |
| | | 284,310 | 269,315 |
| Current assets | | | |
| Inventories | | 459,733 | 464,162 |
| Trade receivables | B5 | 35,495 | 21,325 |
| Other receivables | | 2,810 | 7,734 |
| Trade prepayments | | 12,821 | 18,969 |
| Other prepayments | | 3,067 | 1,531 |
| Tax recoverable | | 17,123 | 17,566 |
| Derivative financial instruments | | 825 | 561 |
| Cash, bank balances and deposits | | 64,935 | 37,033 |
| | | 596,809 | 568,881 |
| Non-current assets classified as held for sale | | - | 4,663 |
| | | 596,809 | 573,544 |
| Total assets | | 881,119 | 842,859 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Provisions | | 2,144 | 2,744 |
| Borrowings | B6 | 250,678 | 243,838 |
| Trade and other payables | | 104,046 | 166,343 |
| Lease liabilities | | 6,590 | - |
| Current tax payable | | 2,215 | 1,662 |
| | | 365,673 | 414,587 |
| Liabilities directly associated with non-current assets classified as held for sale | | - | 63 |
| | | 365,673 | 414,650 |
| Net current assets | | 231,136 | 158,894 |
| Non-current liabilities | | | |
| Provisions | | 27,924 | 26,165 |
| Deferred tax liabilities | | 2,011 | 4,278 |
| Borrowings | B6 | 49,591 | 49,177 |
| Loan from immediate holding company | A15 | 73,461 | - |
| Lease liabilities | | 6,148 | - |
| Derivative financial instruments | | 427 | 303 |
| | | 159,562 | 79,923 |
| Total liabilities | | 525,235 | 494,573 |
| Net assets | | 355,884 | 348,286 |
| Equity attributable to owners of the Company | | | |
| Share capital | | 200,000 | 200,000 |
| Other reserves | | 5,690 | 6,177 |
| Retained earnings | | 149,904 | 139,807 |
| Reserves of non-current assets classified as held for sale | | - | 2,012 |
| | | 355,594 | 347,996 |
| Non-controlling interest | | 290 | 290 |
| Total Equity | | 355,884 | 348,286 |
| Total equity and liabilities | | 881,119 | 842,859 |
| Net assets per share attributable to owners of the Company (RM) | | 0.89 | 0.87 |

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 2018 and the accompanying explanatory notes attached to the Interim Financial Report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 JUNE 2019

| | Note | 2 nd Quarter | | Year to Date | |
|--|------------|----------------|----------------|----------------|----------------|
| | | 3 months ended | | 6 months ended | |
| | | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | A8 | <u>289,082</u> | <u>326,816</u> | <u>596,528</u> | <u>683,770</u> |
| Operating profit | | 15,489 | 10,915 | 30,513 | 22,352 |
| Finance costs | | (4,338) | (4,507) | (8,232) | (9,184) |
| Share of results of associates and joint ventures | | <u>407</u> | <u>(82)</u> | <u>643</u> | <u>222</u> |
| Profit before tax | B2 | 11,558 | 6,326 | 22,924 | 13,390 |
| Income tax expense | B3 | (4,074) | (3,867) | (6,839) | (6,347) |
| Profit net of tax | | <u>7,484</u> | <u>2,459</u> | <u>16,085</u> | <u>7,043</u> |
| Attributable to: | | | | | |
| Owners of the Company | | 7,484 | 2,459 | 16,085 | 7,043 |
| Non-controlling interest | | - | - | - | - |
| | | <u>7,484</u> | <u>2,459</u> | <u>16,085</u> | <u>7,043</u> |
| Earnings per share attributable to owners of the Company (sen): | | | | | |
| Basic and diluted | B12 | <u>1.9</u> | <u>0.6</u> | <u>4.0</u> | <u>1.8</u> |

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 2018 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019**

| | 2 nd Quarter | | Year to Date | |
|---|----------------|--------------|----------------|--------------|
| | 3 months ended | | 6 months ended | |
| | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit net of tax | 7,484 | 2,459 | 16,085 | 7,043 |
| 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") | 825 | (988) | (141) | (1,897) |
| Items that may be subsequently reclassified to profit or loss: | | | | |
| Foreign currency translation | (1) | (2) | - | - |
| Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate | - | - | - | (825) |
| Share of foreign currency translation of an associate and a joint venture | (100) | 730 | (346) | (115) |
| | <u>(101)</u> | <u>728</u> | <u>(346)</u> | <u>(940)</u> |
| Other comprehensive income for the period, net of tax | 724 | (260) | (487) | (2,837) |
| Total comprehensive income for the period | <u>8,208</u> | <u>2,199</u> | <u>15,598</u> | <u>4,206</u> |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 8,208 | 2,199 | 15,598 | 4,206 |
| Non-controlling interest | - | - | - | - |
| | <u>8,208</u> | <u>2,199</u> | <u>15,598</u> | <u>4,206</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 2018 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019**

| | Note | Attributable to owners of the Company | | | | | | Reserves of non-current assets classified as held for sale | Non-controlling interest | Total equity | |
|--|------|---------------------------------------|----------------------|---------------------------------------|----------------|---------------|-------------------|--|--------------------------|--------------|----------------|
| | | Share capital | Revaluation reserves | Foreign currency translation reserves | FVOCI reserves | Other reserve | Retained earnings | | | | Total |
| RM'000 | | | | | | | | | | | |
| 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 | | - | - | - | - | - | 16,085 | - | 16,085 | - | 16,085 |
| Other comprehensive income | | - | - | (346) | (141) | - | - | - | (487) | - | (487) |
| Total comprehensive income | | - | - | (346) | (141) | - | 16,085 | - | 15,598 | - | 15,598 |
| Transfer of reserves of non-current assets classified as held for sale | | - | - | - | - | - | 2,012 | (2,012) | - | - | - |
| Transactions with owners of the Company: | | | | | | | | | | | |
| Dividend | A7 | - | - | - | - | - | (8,000) | - | (8,000) | - | (8,000) |
| At 30 June 2019 | | 200,000 | 5,569 | 669 | (2,254) | 1,706 | 149,904 | - | 355,594 | 290 | 355,884 |
| At 1 January 2018 | | 174,666 | 37,186 | 1,273 | 3,486 | 1,706 | 72,439 | - | 290,756 | 293 | 291,049 |
| Profit for the period | | - | - | - | - | - | 7,043 | - | 7,043 | - | 7,043 |
| Other comprehensive income | | - | - | (940) | (1,897) | - | - | - | (2,837) | - | (2,837) |
| Total comprehensive income | | - | - | (940) | (1,897) | - | 7,043 | - | 4,206 | - | 4,206 |
| Transactions with owners of the Company: | | | | | | | | | | | |
| Dividend | B13 | - | - | - | - | - | (4,000) | - | (4,000) | - | (4,000) |
| At 30 June 2018 | | 174,666 | 37,186 | 333 | 1,589 | 1,706 | 75,482 | - | 290,962 | 293 | 291,255 |

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 2018 and the accompanying explanatory notes attached to the Interim Financial Report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019

| | 6 months ended | |
|---|----------------|-----------------|
| | 30.06.2019 | 30.06.2018 |
| | RM'000 | RM'000 |
| Operating activities | | |
| Operating cash flows before changes in working capital | 37,749 | 32,080 |
| Decrease/(Increase) in inventories | 4,429 | (26,870) |
| Increase in trade and other receivables | (9,636) | (17,481) |
| Decrease in trade prepayments | 6,148 | 10,977 |
| Increase in other prepayments | (1,835) | (1,087) |
| Increase in payables | 8,551 | 8,572 |
| Increase in amount due to immediate holding company | 8 | 47 |
| Decrease in amount due from associates and joint ventures | 404 | 2,890 |
| Cash generated from operations | <u>45,818</u> | <u>9,128</u> |
| Income tax paid | (7,626) | (10,393) |
| Interest paid | (7,680) | (8,726) |
| Net cash generated from/(used in) operating activities | <u>30,512</u> | <u>(9,991)</u> |
| Investing activities | | |
| Interest received | 672 | 598 |
| Payment for deferred mine exploration and evaluation expenditures and mine properties | (505) | (113) |
| Proceeds from disposal of non-current assets classified as held for sale | 4,556 | - |
| Proceeds from disposal of property, plant and equipment | - | 48 |
| Purchase of property, plant and equipment | (5,043) | (5,779) |
| Withdrawal of deposits of more than three months maturity with licensed banks | - | 2,157 |
| Net cash used in investing activities | <u>(320)</u> | <u>(3,089)</u> |
| Financing activities | | |
| Dividend paid | (8,000) | - |
| Drawdown/(Repayment) of short term trade borrowings | 6,840 | (37,836) |
| Loan from immediate holding company | - | 15,000 |
| Payment of lease liability | (1,094) | - |
| Net cash used in financing activities | <u>(2,254)</u> | <u>(22,836)</u> |
| Net increase/(decrease) in cash and cash equivalents | 27,938 | (35,916) |
| Effect of changes in foreign exchange rates | (36) | (5) |
| Cash and cash equivalents as at 1 January | <u>37,033</u> | <u>64,943</u> |
| Cash and cash equivalents as at 30 June | <u>64,935</u> | <u>29,022</u> |
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Cash and bank balances comprise the following at 30 June: | | |
| Cash and short term deposits | 64,935 | 29,022 |
| Deposits of more than three months maturity with licensed banks | - | 1,608 |
| | <u>64,935</u> | <u>30,630</u> |

Reconciliation of liabilities arising from financing activities:

| | Carrying amount as at | Cash flows | Non-cash changes Foreign exchange movement | Carrying amount as at |
|--|--------------------------|----------------------|--|--------------------------|
| | 1 January 2019 RM'000 | | | 30 June 2019 RM'000 |
| Loan from immediate holding company | 73,461 | - | - | 73,461 |
| Short term trade borrowings | 243,838 | 6,840 | - | 250,678 |
| Term loan | 49,177 | - | 414 | 49,591 |
| Total liabilities from financing activities | <u>366,476</u> | <u>6,840</u> | <u>414</u> | <u>373,730</u> |
| | Carrying amount as at | Cash flows RM'000 | Non-cash changes Foreign exchange movement RM'000 | Carrying amount as at |
| | 1 January 2018 RM'000 | | | 30 June 2018 RM'000 |
| Loan from immediate holding company | - | 15,000 | - | 15,000 |
| Short term trade borrowings | 403,617 | (37,836) | - | 365,781 |
| Term loan | 49,164 | - | (1,246) | 47,918 |
| Total liabilities from financing activities | <u>452,781</u> | <u>(22,836)</u> | <u>(1,246)</u> | <u>428,699</u> |

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 2018 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 2018.

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 2018.

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 2018 except for the adoption of the pronouncements that became effective from 1 January 2019.

| <i>Description</i> | <i>Effective for annual periods beginning on or after</i> |
|--|---|
| Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation | 1 January 2019 |
| MFRS 16 Leases | 1 January 2019 |
| Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015–2017 Cycle | 1 January 2019 |
| Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| IC Interpretation 23 Uncertainty over Income Tax Treatments | 1 January 2019 |

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

MFRS 16 Leases

MFRS 16 replaces 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.

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)

MFRS 16 Leases (cont'd)

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. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

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 also requires lessees and lessors to make more extensive disclosures than under MFRS 117. MFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019, comparative are not restated. The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The Group recognised the carrying amount of the prepaid land lease payments as at 31 December 2018 as the carrying amount of the right-of-use ("ROU") assets at the date of initial application.

The following table presents the impact of changes to the consolidated statement of financial position of the Group resulting from the adoption of MFRS 16 as at 1 January 2019:

| Group | Note | As at 31.12.2018 RM'000 | Changes RM'000 | As at 01.01.2019 RM'000 |
|--------------------------------|-------------|--|---------------------------|--|
| Non-current assets | | | | |
| Prepaid land lease payments | | 485 | (485) | - |
| Right-of-use assets | (a) | - | 1,176 | 1,176 |
| Current liabilities | | | | |
| Lease liability | (b) | - | 127 | 127 |
| Non-current liabilities | | | | |
| Lease liability | (b) | - | 564 | 564 |

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)

MFRS 16 Leases (cont'd)

Note:

- (a) The right-of-use assets consist of rent of office building and leasehold land. Subsequent to initial recognition, the right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any re-measurement of lease liability.
- (b) The lease liability arising from the rent of office building is recognised and discounted using the Group's weighted average incremental borrowing rate of 4.2%. Subsequent to initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect lease payments made and re-measuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | RM'000 |
|--|-------------------|
| Operating lease commitments as at 31 December 2018 | 348 |
| Add: Option of extension of lease | 468 |
| Less: Commitments relating to short-term lease | <u>(36)</u> |
| | 780 |
| Weighted average incremental borrowing rate as at 1 January 2019 | <u>4.2%</u> |
| Lease liability as at 1 January 2019 | <u>691</u> |

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 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 |
| 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 |

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 June 2019.

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 June 2019.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 June 2019.

A7. Dividend Paid

The following dividends were paid during the current quarter and financial year-to-date ended 30 June 2019. No dividend was paid during the previous corresponding quarter and financial year-to-date ended 30 June 2018.

| | 30.06.2019 |
|---|-------------------|
| First and final single-tier dividend: | |
| For financial year ended | 31 December 2018 |
| Approved and declared on | 24 May 2019 |
| Date paid | 28 June 2019 |
| Number of ordinary shares on which dividends were paid ('000) | 400,000 |
| Dividend per share | 2.0 sen |
| Dividend paid | RM8,000,000 |

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 30 June 2019 | | | | | |
| Major products or services: | | | | | |
| Sale of tin | 274,077 | 37,093 | 311,170 | (37,093) | 274,077 |
| Smelting revenue | 8,152 | - | 8,152 | - | 8,152 |
| Sale of by-products | 6,087 | - | 6,087 | - | 6,087 |
| Others | 766 | - | 766 | - | 766 |
| | <u>289,082</u> | <u>37,093</u> | <u>326,175</u> | <u>(37,093)</u> | <u>289,082</u> |
| Timing of revenue recognition | | | | | |
| At a point in time | <u>289,082</u> | <u>37,093</u> | <u>326,175</u> | <u>(37,093)</u> | <u>289,082</u> |
| For 3 months ended 30 June 2018 | | | | | |
| Major products or services: | | | | | |
| Sale of tin | 311,618 | 44,965 | 356,583 | (44,965) | 311,618 |
| Smelting revenue | 8,373 | - | 8,373 | - | 8,373 |
| Sale of by-products | 5,278 | - | 5,278 | - | 5,278 |
| Others | 1,547 | - | 1,547 | - | 1,547 |
| | <u>326,816</u> | <u>44,965</u> | <u>371,781</u> | <u>(44,965)</u> | <u>326,816</u> |
| Timing of revenue recognition | | | | | |
| At a point in time | <u>326,816</u> | <u>44,965</u> | <u>371,781</u> | <u>(44,965)</u> | <u>326,816</u> |

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Revenue (cont'd)

| | Tin Smelting RM'000 | Tin Mining RM'000 | Sub-total RM'000 | (Eliminations)/ Adjustments RM'000 | Total RM'000 |
|--|---------------------------|-------------------------|---------------------|--|-----------------|
| For 6 months ended 30 June 2019 | | | | | |
| Major products or services: | | | | | |
| Sale of tin | 566,507 | 85,439 | 651,946 | (85,439) | 566,507 |
| Smelting revenue | 14,197 | - | 14,197 | - | 14,197 |
| Sale of by-products | 13,951 | - | 13,951 | - | 13,951 |
| Others | 1,873 | - | 1,873 | - | 1,873 |
| | <u>596,528</u> | <u>85,439</u> | <u>681,967</u> | <u>(85,439)</u> | <u>596,528</u> |
| Timing of revenue recognition | | | | | |
| At a point in time | <u>596,528</u> | <u>85,439</u> | <u>681,967</u> | <u>(85,439)</u> | <u>596,528</u> |
| For 6 months ended 30 June 2018 | | | | | |
| Major products or services: | | | | | |
| Sale of tin | 654,260 | 90,671 | 744,931 | (90,671) | 654,260 |
| Smelting revenue | 14,894 | - | 14,894 | - | 14,894 |
| Sale of by-products | 11,860 | - | 11,860 | - | 11,860 |
| Others | 2,756 | - | 2,756 | - | 2,756 |
| | <u>683,770</u> | <u>90,671</u> | <u>774,441</u> | <u>(90,671)</u> | <u>683,770</u> |
| Timing of revenue recognition | | | | | |
| At a point in time | <u>683,770</u> | <u>90,671</u> | <u>774,441</u> | <u>(90,671)</u> | <u>683,770</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.

(c) Others

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. Segmental Reporting (cont'd)

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 30 June 2019 | | | | | | |
| Revenue | | | | | | |
| Sales to external customers | 289,082 | - | - | 289,082 | - | 289,082 |
| Inter-segment sales | - | 37,093 | - | 37,093 | (37,093) | - |
| Total revenue | 289,082 | 37,093 | - | 326,175 | (37,093) | 289,082 |
| Results | | | | | | |
| Operating profit/(loss) | 28 | 15,471 | (10) | 15,489 | - | 15,489 |
| Finance costs | (3,718) | (469) | (151) | (4,338) | - | (4,338) |
| Share of results of associates and joint ventures | - | - | 407 | 407 | - | 407 |
| (Loss)/Profit before tax | (3,690) | 15,002 | 246 | 11,558 | - | 11,558 |
| Income tax expense | (642) | (3,432) | - | (4,074) | - | (4,074) |
| (Loss)/Profit net of tax | (4,332) | 11,570 | 246 | 7,484 | - | 7,484 |

Results for 3 months ended 30 June 2018

| | | | | | | |
|--|----------------|---------------|--------------|----------------|-----------------|----------------|
| Revenue | | | | | | |
| Sales to external customers | 326,816 | - | - | 326,816 | - | 326,816 |
| Inter-segment sales | - | 44,965 | - | 44,965 | (44,965) | - |
| Total revenue | 326,816 | 44,965 | - | 371,781 | (44,965) | 326,816 |
| Results | | | | | | |
| Operating profit/(loss) | 1,334 | 9,315 | (8) | 10,641 | 274 | 10,915 |
| Finance costs | (4,089) | (249) | (169) | (4,507) | - | (4,507) |
| Share of results of associates and joint ventures | - | - | (82) | (82) | - | (82) |
| (Loss)/Profit before tax | (2,755) | 9,066 | (259) | 6,052 | 274 | 6,326 |
| Income tax expense | (1,140) | (2,661) | - | (3,801) | (66) | (3,867) |
| (Loss)/Profit net of tax | (3,895) | 6,405 | (259) | 2,251 | 208 | 2,459 |

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 |
| Results for 6 months ended 30 June 2019 | | | | | | |
| Revenue | | | | | | |
| Sales to external customers | 596,528 | - | - | 596,528 | - | 596,528 |
| Inter-segment sales | - | 85,439 | - | 85,439 | (85,439) | - |
| Total revenue | 596,528 | 85,439 | - | 681,967 | (85,439) | 596,528 |
| Results | | | | | | |
| Operating profit/(loss) | 4,942 | 25,605 | (34) | 30,513 | - | 30,513 |
| Finance costs | (7,187) | (768) | (277) | (8,232) | - | (8,232) |
| Share of results of associates and joint ventures | - | - | 643 | 643 | - | 643 |
| (Loss)/Profit before tax | (2,245) | 24,837 | 332 | 22,924 | - | 22,924 |
| Income tax expense | (703) | (6,136) | - | (6,839) | - | (6,839) |
| (Loss)/Profit net of tax | (2,948) | 18,701 | 332 | 16,085 | - | 16,085 |

Results for 6 months ended 30 June 2018

| | | | | | | |
|--|----------------|---------------|--------------|----------------|-----------------|----------------|
| Revenue | | | | | | |
| Sales to external customers | 683,770 | - | - | 683,770 | - | 683,770 |
| Inter-segment sales | - | 90,671 | - | 90,671 | (90,671) | - |
| Total revenue | 683,770 | 90,671 | - | 774,441 | (90,671) | 683,770 |
| Results | | | | | | |
| Operating profit/(loss) | 3,395 | 19,435 | (26) | 22,804 | (452) | 22,352 |
| Finance costs | (8,316) | (498) | (370) | (9,184) | - | (9,184) |
| Share of results of associates and joint ventures | - | - | 222 | 222 | - | 222 |
| (Loss)/Profit before tax | (4,921) | 18,937 | (174) | 13,842 | (452) | 13,390 |
| Income tax (expense)/credit | (1,061) | (5,394) | - | (6,455) | 108 | (6,347) |
| (Loss)/Profit net of tax | (5,982) | 13,543 | (174) | 7,387 | (344) | 7,043 |

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 30 June 2019 | | | | | | |
| Assets | | | | | | |
| Segment assets | 733,798 | 99,140 | 14,374 | 847,312 | (1,634) | 845,678 |
| Investment in associates and joint ventures | - | - | 35,441 | 35,441 | - | 35,441 |
| Total assets | 733,798 | 99,140 | 49,815 | 882,753 | (1,634) | 881,119 |
| Liabilities | | | | | | |
| Segment liabilities | 423,942 | 101,228 | 65 | 525,235 | - | 525,235 |
| Assets and Liabilities as at 31 December 2018 | | | | | | |
| Assets | | | | | | |
| Segment assets | 723,612 | 73,164 | 14,517 | 811,293 | (3,578) | 807,715 |
| Investment in associates and joint ventures | - | - | 35,144 | 35,144 | - | 35,144 |
| Total assets | 723,612 | 73,164 | 49,661 | 846,437 | (3,578) | 842,859 |
| Liabilities | | | | | | |
| Segment liabilities | 416,361 | 78,154 | 58 | 494,573 | - | 494,573 |

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 2018.

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 June 2019.

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 and financial year-to-date ended 30 June 2019 except for the following:

A subsidiary defended a legal action brought about by two companies. Following completion of the trial on 26 July 2019, the decision delivered by the judge on 31 July 2019 was in MSC subsidiary's favour. The two companies have filed an appeal against the decision to the Court of Appeal on 1 August 2019.

In connection with the abovementioned case, the subsidiary has separately instituted legal action against a former executive officer, the above two companies, and certain persons connected with the two companies, claiming for damages for breach of fiduciary duties, conspiracy, dishonest assistance. The matter is currently fixed for case management and trials are anticipated to commence in 1H 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 30 June 2019 are as follows:

| | 30.06.2019 RM'000 | 31.12.2018 RM'000 |
|---------------------------------|------------------------------------|------------------------------------|
| Approved and contracted for | 16,173 | 16,394 |
| Approved but not contracted for | 2,677 | 539 |
| | 18,850 | 16,933 |

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 2018 except for loan from immediate holding company totalling RM73.46 million was extended to year 2021 with interest charge of 4.2% per annum.

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 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| At 30 June 2019 | | | | |
| Assets measured at fair value: | | | | |
| Land and buildings | - | - | 47,199 | 47,199 |
| Investment securities | 14,364 | - | - | 14,364 |
| Derivative financial instruments - current | 594 | 231 | - | 825 |
| Liabilities measured at fair value: | | | | |
| Derivative financial instruments - non-current | - | 427 | - | 427 |
| At 31 December 2018 | | | | |
| Assets measured at fair value: | | | | |
| Land and buildings | - | - | 47,539 | 47,539 |
| Investment securities | 14,505 | - | - | 14,505 |
| Derivative financial instruments | - | 561 | - | 561 |
| Liabilities measured at fair value: | | | | |
| Derivative financial instruments | - | 303 | - | 303 |

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 June 2019.

**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 2018 was unqualified.

B2. Profit/(Loss) Before Tax

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

| | 2 nd Quarter ended 30.06.2019 RM'000 | 2 nd Quarter ended 30.06.2018 RM'000 | 6 months ended 30.06.2019 RM'000 | 6 months ended 30.06.2018 RM'000 |
|--|--|--|---|---|
| After charging/(crediting): | | | | |
| Depreciation and amortisation | 4,207 | 4,505 | 7,599 | 8,977 |
| Fair value loss/(gain) in derivative financial instruments | | | | |
| - Forward tin contracts | 742 | - | (594) | - |
| - Forward currency contracts | (904) | 2,011 | 454 | 3,417 |
| Net foreign exchange loss/(gain) | 804 | 1,423 | (126) | (1,437) |
| Gain on disposal of property, plant and equipment | - | (48) | - | (48) |
| Interest income | (389) | (374) | (671) | (612) |
| Other income including investment income | (604) | (1,908) | (740) | (2,508) |

There was no material impairment of assets recognised as a loss during the current quarter and financial year-to-date ended 30 June 2019.

B3. Income Tax (Expense)/Credit

Income tax (expense)/credit comprises the following:

| | 2 nd Quarter ended 30.06.2019 RM'000 | 2 nd Quarter ended 30.06.2018 RM'000 | 6 months ended 30.06.2019 RM'000 | 6 months ended 30.06.2018 RM'000 |
|---|--|--|---|---|
| Income tax | | | | |
| - Current provision | (3,730) | (4,943) | (8,622) | (9,031) |
| Deferred tax | | | | |
| - Relating to origination and reversal of temporary differences | (344) | 1,076 | 1,783 | 2,684 |
| Total income tax expense | (4,074) | (3,867) | (6,839) | (6,347) |

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.

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 2 August 2019, 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 June 2019 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 30.06.2019 | 35,459 | - | - | - | 1 | 35 | 35,495 | |
| Trade receivables as at 31.12.2018 | 21,222 | - | 72 | - | 3 | 28 | 21,325 | |

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 RM36,000 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 June 2019 are as follows:

| | As at 30.06.2019 RM'000 | As at 31.12.2018 RM'000 |
|---|-------------------------------|-------------------------------|
| a) Short Term Borrowings (unsecured) | | |
| Short term trade financing | 27,435 | 2,732 |
| Bankers' acceptances | 223,243 | 239,106 |
| Revolving credit | - | 2,000 |
| | 250,678 | 243,838 |
| b) Long Term Borrowings (unsecured) | | |
| Term loan | 49,591 | 49,177 |
| | 300,269 | 293,015 |

| Amount denominated in foreign currency | '000 | '000 |
|---|--------|--------|
| Short term trade financing (US dollars) | - | 659 |
| Term loan (Singapore dollars) | 16,200 | 16,200 |

During the 6 months ended 30 June 2019, the Group increased its total borrowings by approximately 2.5% from RM293.0 million as at 31 December 2018 to RM300.3 million as at 30 June 2019 due to drawdown of short term borrowings for working capital requirements. The gearing ratio of the Group remains at 0.8 times as at 30 June 2019 and 31 December 2018. 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 June 2019 for the Group was 4.1% (2018: 4.2%) per annum. Revolving credit bears interest rate of 5.4% per annum for the year ended 31 December 2018.

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 2018, except for forward tin contracts.

The outstanding forward tin contracts and forward foreign currency contracts as at 30 June 2019 are as follows:

| Derivative Financial Instruments | Contract Value RM'000 | Fair Value RM'000 | Fair Value – Financial Assets/(Liabilities) RM'000 |
|----------------------------------|--------------------------|----------------------|---|
| At 30 June 2019 | | | |
| Forward Tin Contracts | | | |
| - Less than 1 year | 79,066 | 75,760 | 594 |
| Forward Currency Contracts | | | |
| - Less than 1 year | 57,442 | 57,211 | 231 |
| - 1 year to 3 years | 50,835 | 50,408 | (427) |
| At 31 December 2018 | | | |
| Forward Currency Contracts | | | |
| - Less than 1 year | 77,103 | 76,542 | 561 |
| - 1 year to 3 years | 50,835 | 50,532 | (303) |

B8. Material Litigation

There was no material litigation as at 2 August 2019, 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

| | Current Quarter 30.06.2019 RM'000 | Immediate Preceding Quarter 31.03.2019 RM'000 | Changes % |
|---|--|--|----------------------|
| Revenue | 289,082 | 307,446 | (6%) |
| Operating Profit | 15,489 | 15,024 | 3% |
| Profit Before Interest and Tax | 15,896 | 15,260 | 4% |
| Profit Before Tax | 11,558 | 11,366 | 2% |
| Profit After Tax | 7,484 | 8,601 | (13%) |
| Profit Attributable to Owners of the Company | 7,484 | 8,601 | (13%) |

2Q 2019 vs. 1Q 2019 (QoQ)

Group revenue was RM289.1 million in 2Q 2019 as compared with RM307.4 million in 1Q 2019. This was mainly due to lower sales quantity of refined tin in 2Q 2019.

The Group recorded a profit before tax of RM11.6 million in 2Q 2019 as compared with RM11.4 million in 1Q 2019. This was mainly due to higher profit in the tin mining segment, offset with loss recorded in tin smelting segment, as explained in the following paragraphs.

The tin smelting segment recorded a loss before tax of RM3.7 million in 2Q 2019 as compared with a profit before tax of RM1.4 million in 1Q 2019. This was mainly due to lower sales quantity of refined tin, lower profit from sale of by-products and higher operating expenses in 2Q 2019.

The tin mining segment recorded a profit before tax of RM15.0 million in 2Q 2019 as compared with RM9.8 million in 1Q 2019.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM0.4 million in 2Q 2019 as compared with RM0.2 million in 1Q 2019.

**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 (6 months) | | Changes % | Individual Period (2 nd quarter) | | Changes % |
|---|---------------------------------|---|--------------|--|--|--------------|
| | Current Year To- date | Preceding Year Corresponding Period | | Current Year Quarter | Preceding Year Corresponding Quarter | |
| | 30.06.2019 RM'000 | 30.06.2018 RM'000 | | 30.06.2019 RM'000 | 30.06.2018 RM'000 | |
| Revenue | 596,528 | 683,770 | (13%) | 289,082 | 326,816 | (12%) |
| Operating Profit | 30,513 | 22,352 | 37% | 15,489 | 10,915 | 42% |
| Profit Before Interest and Tax | 31,156 | 22,574 | 38% | 15,896 | 10,833 | 47% |
| Profit Before Tax | 22,924 | 13,390 | 71% | 11,558 | 6,326 | 83% |
| Profit After Tax | 16,085 | 7,043 | 128% | 7,484 | 2,459 | 204% |
| Profit Attributable to Owners of the Company | 16,085 | 7,043 | 128% | 7,484 | 2,459 | 204% |

1H 2019 vs. 1H 2018 (YoY)

Group revenue was RM596.5 million in the first 6 months of the current financial year (1H 2019) as compared with RM683.8 million in 1H 2018. This was mainly due to lower sales quantity of refined tin in 1H 2019.

Group profit before tax was RM22.9 million in 1H 2019 as compared with RM13.4 million in 1H 2018. The better performance in 1H 2019 was mainly due to improved performance in the tin smelting segment and the tin mining segment, as explained in the following paragraphs.

The tin smelting segment recorded a loss before tax of RM2.2 million in 1H 2019 as compared with a loss before tax of RM4.9 million in 1H 2018. Lower loss was mainly due to lower provision of tin loss.

The tin mining segment recorded a profit before tax of RM24.8 million in 1H 2019 as compared with RM18.9 million in 1H 2018. This was mainly due to higher average tin prices in RM terms.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM0.6 million in 1H 2019 as compared with RM0.2 million in 1H 2018.

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

B10. Review of Performance (cont'd)

2Q 2019 vs. 2Q 2018 (YoY)

Group revenue was RM289.1 million in 2Q 2019 as compared with RM326.8 million in 2Q 2018. This was mainly due to lower sales quantity of refined tin in 2Q 2019.

Group profit before tax was RM11.6 million in 2Q 2019 as compared with RM6.3 million in 2Q 2018. The better performance in 2Q 2019 was mainly due to higher profit in tin mining segment.

The tin smelting segment recorded a loss before tax of RM3.7 million in 2Q 2019 as compared with a loss before tax of RM2.8 million in 2Q 2018. Losses were mainly due to low recovery yield, high operating expenses and operating inefficiencies in the Butterworth plant.

The tin mining segment recorded a profit before tax of RM15.0 million in 2Q 2019 as compared with RM9.1 million in 2Q 2018.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM0.4 million in 2Q 2019 as compared with a net share of loss of RM0.1 million in 2Q 2018.

B11. Prospects

The remaining 2nd half of 2019 is expected to be challenging due to the prolonged and escalating trade war between the US and China. The tariffs imposed by the US on China products have affected major electronics and smartphone manufacturers in China - hence the lower demand for tin solders which affected the tin price.

Despite these challenging market conditions, the Group will continue to focus on its operational efficiencies. The 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 near term.

Resulting from the rationalisation of the Group's business operations, we expect overheads to increase as we run two plants. We expect this to impact our financial performance for the remaining half of the financial year.

Once the move is completed, with the new facility with the ISASMELT furnace, we expect to reduce operational and manpower costs, while improving our carbon footprint. In addition, the operational inefficiencies we currently face with our aging plant in Butterworth will be eliminated.

For our tin mining segment, we have undertaken efforts to increase daily mining output and improve our overall mining productivity. SL Tin Sdn Bhd, an 80% owned subsidiary will commence its tin mining activities at Sungai Lembing, Pahang in 2nd half of FY2019. This will contribute to additional tin production to the Group.

The Group will also look at potential joint venture mining arrangement with other parties to expand its mining activities.

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

B12. Earnings Per Share Attributable to Owners of the Company

| | 2 nd Quarter ended 30.06.2019 | 2 nd Quarter ended 30.06.2018 | 6 months ended 30.06.2019 | 6 months ended 30.06.2018 |
|--|--|--|---------------------------------|---------------------------------|
| Profit net of tax attributable to owners of the Company (RM'000) | 7,484 | 2,459 | 16,085 | 7,043 |
| Weighted average number of ordinary shares in issue ('000) | 400,000 | 400,000 | 400,000 | 400,000 |
| Basic and diluted earnings per share (sen) | 1.9 | 0.6 | 4.0 | 1.8 |

B13. Dividend

The details of the dividend payable in the quarter and year-to-date ended 30 June 2018 are as follows:

| | 30.06.2018 |
|--|------------------|
| First and final single-tier dividend: | |
| For financial year ended | 31 December 2017 |
| Dividend payable | RM4,000,000 |
| Dividend per share | 4.0 sen |
| Approved and declared on | 30 May 2018 |
| Entitlement to dividends based on record of Depositors as at | 12 June 2018 |
| Date payable | 9 July 2018 |

There was no dividend declared in the current quarter and year-to-date ended 30 June 2019.

B14. Review By External Auditors

The Board had engaged the external auditors to review this interim quarterly results for the quarter and year-to-date ended 30 June 2019 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Authorised for Issue

The quarterly results was authorised for issue by the Board in accordance with a resolution of the Directors on 8 August 2019.