Malaysia Smelting Corporation Berhad
(43072-A)

MALAYSIA SMELTING CORPORATION BERHAD

INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2018

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)

8 May 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	As at 31.03.2018 Unaudited RM'000	As at 31.12.2017 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment		157,420	159,309
Prepaid land lease payments		733	740
Intangible assets		5,716	5,942
Investments in associates and joint ventures		34,027	34,568
Investment securities		19,195	21,205
Other non-current assets		14,228	14,445
Deferred tax assets		9,936	7,227
		241,255	243,436
Current assets			
Inventories		490,569	469,677
Trade receivables	B5	15,377	11,436
Other receivables		8,829	9,345
Trade prepayments		32,304	49,694
Other prepayments		4,105	2,465
Tax recoverable		22,736	19,312
Derivative financial instruments		492	375
Cash, bank balances and deposits		45,133	68,678
		619,545	630,982
Total assets		860,800	874,418
Equity and liabilities			
Current liabilities			
Provisions		12,315	12,315
Borrowings	B6	424,494	452,781
Trade and other payables		97,406	86,517
Current tax payable		52	51
Derivative financial instruments		3,981	2,458
		538,248	554,122
Net current assets		81,297	76,860
Non-current liabilities			
Provisions		28,153	27,904
Deferred tax liabilities		1,343	1,343
		29,496	29,247
Total liabilities		567,744	583,369
Net assets		293,056	291,049
Equity attributable to owners of the Company			
Share capital		174,666	174,666
Other reserves		41,074	43,651
Retained earnings		77,023	72,439
		292,763	290,756
Non-controlling interest		293	293
Total Equity		293,056	291,049
Total equity and liabilities		860,800	874,418
Net assets per share attributable to owners of the Company (RM)		**2.93**	**2.91**

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 2017 and the accompanying explanatory notes attached to the Interim Financial Report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2018

	Note	1 st Quarter 3 months ended 31.03.2018 RM'000	1 st Quarter 3 months ended 31.03.2017 RM'000	Year to Date 3 months ended 31.03.2018 RM'000	Year to Date 3 months ended 31.03.2017 RM'000
Revenue	**A8**	356,954	406,614	356,954	406,614
Operating profit		11,437	20,694	11,437	20,694
Finance costs		(4,677)	(3,241)	(4,677)	(3,241)
Share of results of associates and joint ventures		304	247	304	247
Profit before tax	**B2**	7,064	17,700	7,064	17,700
Income tax expense	**B3**	(2,480)	(5,077)	(2,480)	(5,077)
Profit net of tax		4,584	12,623	4,584	12,623
Attributable to:					
Owners of the Company		4,584	12,623	4,584	12,623
Non-controlling interest		-	-	-	-
		4,584	12,623	4,584	12,623
Earnings per share attributable to owners of the Company (sen):					
Basic and diluted	**B12**	4.6	12.6	4.6	12.6

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 2017 and the accompanying explanatory notes attached to the Interim Financial Report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

	1 st Quarter		Year to Date	
	3 months ended		3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Profit net of tax	4,584	12,623	4,584	12,623
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")	(909)	318	(909)	318
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	2	-	2	-
Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate	(825)	-	(825)	-
Net fair value changes on cash flow hedges	-	1,720	-	1,720
Share of foreign currency translation of an associate and a joint venture	(845)	(194)	(845)	(194)
	(1,668)	1,526	(1,668)	1,526
Other comprehensive income for the period, net of tax	(2,577)	1,844	(2,577)	1,844
Total comprehensive income for the period	2,007	14,467	2,007	14,467
Total comprehensive income attributable to:				
Owners of the Company	2,007	14,467	2,007	14,467
Non-controlling interest	-	-	-	-
	2,007	14,467	2,007	14,467

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 2017 and the accompanying explanatory notes attached to the Interim Financial Report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

		Attributable to owners of the Company										
		Non - Distributable						Distributable				
RM'000	Note	Share capital	Share premium	Revaluation reserves	Foreign currency translation reserves	FVOCI reserves	Hedging reserves	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
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		-	-	-	-	-	-	-	4,584	4,584	-	4,584
Other comprehensive income		-	-	-	(1,668)	(909)	-	-	-	(2,577)	-	(2,577)
Total comprehensive income		-	-	-	(1,668)	(909)	-	-	4,584	2,007	-	2,007
At 31 March 2018		**174,666**	**-**	**37,186**	**(395)**	**2,577**	**-**	**1,706**	**77,023**	**292,763**	**293**	**293,056**
At 1 January 2017		100,000	76,372	31,726	3,206	5,171	(1,720)	-	64,334	279,089	294	279,383
Transfer in accordance with Section 618(2) of the Companies Act 2016		74,666	(74,666)	-	-	-	-	-	-	-	-	-
Reclassification		-	(1,706)	-	-	-	-	1,706	-	-	-	-
Profit for the period		-	-	-	-	-	-	-	12,623	12,623	-	12,623
Other comprehensive income		-	-	-	(194)	318	1,720	-	-	1,844	-	1,844
Total comprehensive income		-	-	-	(194)	318	1,720	-	12,623	14,467	-	14,467
At 31 March 2017		**174,666**	**-**	**31,726**	**3,012**	**5,489**	**-**	**1,706**	**76,957**	**293,556**	**294**	**293,850**

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 2017 and the accompanying explanatory notes attached to the Interim Financial Report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018

	3 months ended	
	31.03.2018	**31.03.2017**
	RM'000	**RM'000**
Operating activities		
Operating cash flows before changes in working capital	15,157	22,029
(Increase)/Decrease in inventories	(20,892)	56,794
(Increase)/Decrease in trade and other receivables	(7,210)	10,834
Decrease/(Increase) in trade prepayments	17,390	(12,116)
Increase in other prepayments	(1,789)	(1,950)
Increase/(Decrease) in payables	10,413	(26,425)
Decrease in amount due to holding company	-	(600)
Decrease/(Increase) in amount due from associates and joint ventures	3,441	(2,008)
Cash generated from operations	16,510	46,558
Income tax paid	(7,511)	(3,915)
Interest paid	(3,774)	(2,336)
Net cash generated from operating activities	5,225	40,307
Investing activities		
Interest received	223	494
Payment for deferred mine exploration and evaluation expenditures and mine properties	(38)	(132)
Payment for intangible assets	-	(65)
Proceeds from disposal of property, plant and equipment	-	184
Purchase of property, plant and equipment	(2,095)	(989)
Net cash used in investing activities	(1,910)	(508)
Financing activities		
Repayment of short term trade financing and other borrowings, representing net cash used in financing activities	(26,829)	(55,793)
Net decrease in cash and cash equivalents	(23,514)	(15,994)
Effect of changes in foreign exchange rates	(48)	486
Cash and cash equivalents as at 1 January	64,943	76,873
Cash and cash equivalents as at 31 March	41,381	61,365

	2018	**2017**
Cash and bank balances comprise the following at 31 March:	**RM'000**	**RM'000**
Cash and short term deposits	41,381	61,365
Deposits of more than three months maturity with licensed banks	3,752	3,518
	45,133	64,883

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 January 2018 RM'000	**Cash flows RM'000**	**Non-cash changes Foreign exchange movement RM'000**	**Carrying amount as at 31 March 2018 RM'000**
Short term trade finance	403,617	(26,829)	-	376,788
Term loan - current	49,164	-	(1,458)	47,706
Term loan - non-current	-	-	-	-
Total liabilities from financing activities	452,781	(26,829)	(1,458)	424,494

	Carrying amount as at 1 January 2017 RM'000	**Cash flows RM'000**	**Non-cash changes Foreign exchange movement RM'000**	**Carrying amount as at 31 March 2017 RM'000**
Short term trade finance	289,187	(55,793)	(64)	233,330
Term loan - current	-	-	-	-
Term loan - non-current	50,282	-	996	51,278
Total liabilities from financing activities	339,469	(55,793)	932	284,608

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 2017 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 consolidated financial statements of the Group as at and for the year ended 31 December 2017.

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 2017.

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 2017 except for the adoption of the pronouncements that became effective from 1 January 2018.

Description	***Effective for annual periods beginning on or after***
MFRS 2 Classification and Measurement of Share-based Payment Transactions *(Amendments to MFRS 2)*	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property *(Amendments to MFRS 140)*	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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

<u>MFRS 15 Revenue from Contracts with Customers</u>

This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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:

Description	*Effective for annual periods beginning on or after*
MFRS 9 Prepayment Features with Negative Compensation *(Amendments to MFRS 9)*	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures *(Amendments to MFRS 128)*	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement *(Amendments to MFRS 119)*	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

<u>MFRS 16 Leases</u>

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement Contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. 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).

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

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

MFRS 16 Leases (cont'd)

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.

Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of MFRS 16.

A3. Seasonal or Cyclical Factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter and financial year-to-date ended 31 March 2018.

A5. Significant Changes in Estimates

There were no significant changes in estimates that have had a material effect during the current quarter and financial year-to-date ended 31 March 2018.

A6. Debt and Equity Securities

There were no issuance and repayment of debts and equity securities during the current quarter and financial year-to-date ended 31 March 2018.

A7. Dividend Paid

There was no dividend paid during the current financial period ended 31 March 2018 and previous corresponding financial period ended 31 March 2017.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Tin Mining and Smelting Revenue

Disaggregation of revenue

The following table illustrate 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 include the timing of revenue recognition.

	Tin Smelting RM'000	Tin Mining RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
For 3 months ended 31 March 2018					
Major products or services:					
Sale of tin	342,642	45,706	388,348	(45,706)	342,642
Smelting revenue	6,521	-	6,521	-	6,521
Sale of by-products	6,582	-	6,582	-	6,582
Others	1,209	-	1,209	-	1,209
	356,954	45,706	402,660	(45,706)	356,954
Timing of revenue recognition					
At a point in time	356,954	45,706	402,660	(45,706)	356,954
For 3 months ended 31 March 2017					
Major products or services:					
Sale of tin	396,233	48,311	444,544	(48,311)	396,233
Smelting revenue	6,245	-	6,245	-	6,245
Sale of by-products	3,137	-	3,137	-	3,137
Others	999	-	999	-	999
	406,614	48,311	454,925	(48,311)	406,614
Timing of revenue recognition					
At a point in time	406,614	48,311	454,925	(48,311)	406,614

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
Results for 3 months ended 31 March 2018						
Revenue						
Sales to external customers	356,954	-	-	356,954	-	356,954
Inter-segment sales	-	45,706	-	45,706	(45,706)	-
Total revenue	356,954	45,706	-	402,660	(45,706)	356,954
Results						
Operating profit/(loss)	2,061	10,120	(18)	12,163	(726)	11,437
Finance costs	(4,227)	(249)	(201)	(4,677)	-	(4,677)
Share of results of associates and joint ventures	-	-	304	304	-	304
(Loss)/Profit before tax	(2,166)	9,871	85	7,790	(726)	7,064
Income tax credit/(expense)	79	(2,733)	-	(2,654)	174	(2,480)
(Loss)/Profit net of tax	**(2,087)**	**7,138**	**85**	**5,136**	**(552)**	**4,584**

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	
Results for 3 months ended 31 March 2017						
Revenue						
Sales to external customers	406,614	-	-	406,614	-	406,614
Inter-segment sales	-	48,311	449	48,760	(48,760)	-
Total revenue	406,614	48,311	449	455,374	(48,760)	406,614
Results						
Operating profit/(loss)	8,184	14,972	(24)	23,132	(2,438)	20,694
Finance costs	(2,772)	(256)	(213)	(3,241)	-	(3,241)
Share of results of associates and joint ventures	-	-	247	247	-	247
Profit before tax	5,412	14,716	10	20,138	(2,438)	17,700
Income tax expense	(1,869)	(3,793)	-	(5,662)	585	(5,077)
Profit net of tax	**3,543**	**10,923**	**10**	**14,476**	**(1,853)**	**12,623**

	Tin Smelting	Tin Mining	Others	Sub-total	(Eliminations)/ Adjustments	Total
Assets and Liabilities as at 31 March 2018						
Assets						
Segment assets	742,367	68,630	19,203	830,200	(3,429)	826,771
Investment in associates and joint ventures	-	-	34,029	34,029	-	34,029
Total assets	**742,367**	**68,630**	**53,232**	**864,229**	**(3,429)**	**860,800**
Liabilities						
Segment liabilities	**500,450**	**67,232**	**62**	**567,744**	**-**	**567,744**
Assets and Liabilities as at 31 December 2017						
Assets						
Segment assets	751,967	69,548	21,212	842,727	(2,877)	839,850
Investment in associates and joint ventures	-	-	34,568	34,568	-	34,568
Total assets	**751,967**	**69,548**	**55,780**	**877,295**	**(2,877)**	**874,418**
Liabilities						
Segment liabilities	**526,030**	**57,296**	**43**	**583,369**	**-**	**583,369**

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 2017.

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 31 March 2018.

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 31 March 2018 except for the following:

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

A14. Capital Commitments

Capital commitments of the Group as at 31 March 2018 are as follows:

	31.03.2018 RM'000	**31.12.2017 RM'000**
Approved and contracted for	17,669	18,438
Approved but not contracted for	7,421	6,420
	25,090	24,858

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 2017.

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 31 March 2018				
Assets measured at fair value:				
Land and buildings	-	-	88,614	88,614
Investment securities	19,195	-	-	19,195
Derivative financial instruments	-	492	-	492
Liabilities measured at fair value:				
Derivative financial instruments	-	3,981	-	3,981
At 31 December 2017				
Assets measured at fair value:				
Land and buildings	-	-	89,528	89,528
Investment securities	21,205	-	-	21,205
Derivative financial instruments	-	375	-	375
Liabilities measured at fair value:				
Derivative financial instruments	-	2,458	-	2,458

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 31 March 2018.

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 2017 was unqualified.

B2. Profit/(Loss) Before Tax

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

	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2017 RM'000
After charging/(crediting):		
Depreciation and amortisation	4,472	3,385
Fair value loss/(gain) in derivative financial instruments		
- Forward currency contracts	1,406	(1,654)
Net foreign exchange (gain)/loss	(2,860)	3,134
Loss on disposal of property, plant and equipment	-	184
Interest income	(238)	(521)
Other income including investment income	(600)	(109)

There was no material impairment of assets recognised as a loss during the current quarter and financial year-to-date ended 31 March 2018.

B3. Income Tax (Expense)/Credit

Income tax (expense)/credit comprises the following:

	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2017 RM'000
Income tax		
- Current provision	(4,088)	(5,892)
Deferred tax		
- Relating to origination and reversal of temporary differences	1,608	815
Total income tax expense	(2,480)	(5,077)

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

The following are the corporate proposals announced but not completed as at 2 May 2018:

On 23 April 2018, the Board of Directors of the Company have announced that the Company proposed to undertake the following:

i. proposed share split involving the subdivision of every 1 existing ordinary share in MSC (“MSC Share(s)” or “Share(s)”) into 2 subdivided MSC Shares (“Split Share(s)”) held on an entitlement date to be determined later (“Proposed Share Split”); and

ii. proposed bonus issue of 200,000,000 new Split Shares (“Bonus Share(s)”) to be credited as fully paid-up on the basis of 1 Bonus Share for every 1 existing Split Share held on the same entitlement date as the Proposed Share Split.

The completion of the proposals is subject to the approval of the Bursa Securities and shareholders of the Company. Bursa Securities has on 7 May 2018 approved these proposals.

B5. Trade Receivables

The age analysis of trade receivable of the Group as at 31 March 2018 is as follows:

		Past due					
	Not past due RM’000	< 30 days RM’000	30 to 60 days RM’000	61 to 90 days RM’000	91 to 120 days RM’000	>120 days RM’000	Total RM’000
Trade receivables as at 31.03.2018	14,844	-	527	-	-	6	15,377
Trade receivables as at 31.12.2017	11,415	-	15	-	-	6	11,436

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 RM533,000 that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are from creditworthy customers.

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

B6. Loans and Borrowings

Details of the Group's loans and borrowings as at 31 March 2018 are as follows:

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Short Term Borrowings (unsecured)		
Bankers' acceptances	376,788	403,617
Term loan	47,706	49,164
	424,494	**452,781**

Amount denominated in foreign currency	**'000**	**'000**
Term loan (Singapore dollars)	16,200	16,200

During the 3 months ended 31 March 2018, the Group reduced its total borrowings by approximately 6.3% from RM452.8 million as at 31 December 2017 to RM424.5 million as at 31 March 2018 due to repayment of short term trade financing. Consequentially, the gearing ratio of the Group reduced to 1.4 times as at 31 March 2018 from 1.6 times as at 31 December 2017.

The weighted average interest rate of short term borrowings excluding for term loan as at 31 March 2018 for the Group was 4.1% (2017: 3.9%) per annum.

Term loan of the Group denominated in Singapore dollar (SGD) was hedged to Ringgit Malaysia (RM) at an average exchange rate of RM/SGD3.2325. The term loan bears a fixed interest rate of 4.0% per annum.

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

B7. Foreign Currency Exposure and Hedging Policy

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

Due to the concentration of its purchases and sales in United States Dollar, there is a natural hedge and the exposure to United States Dollar foreign exchange risk for business transactions is minimised. The Group also uses forward currency contracts to manage foreign exchange risk. Derivative financial instruments entered into by the Group are similar to those disclosed in the annual financial statements as at and for the financial year ended 31 December 2017.

The outstanding forward foreign currency contracts as at 31 March 2018 are as follows:

Derivative Financial Instruments	Contract Value RM'000	Fair Value RM'000	Fair Value – Financial Assets/(Liabilities) RM'000
At 31 March 2018			
Forward Currency Contracts			
- Less than 1 year	100,540	96,067	(3,489)
At 31 December 2017			
Forward Currency Contracts			
- Less than 1 year	99,900	97,066	(2,083)

B8. Material Litigation

There was no material litigation as at 2 May 2018, 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 31.03.2018 RM'000	Immediate Preceding Quarter 31.12.2017 RM'000	Changes %
Revenue	356,954	318,519	12%
Operating Profit/(Loss)	11,437	(7,954)	244%
Profit/(Loss) Before Interest and Tax	11,741	(8,821)	233%
Profit/(Loss) Before Tax	7,064	(13,019)	154%
Profit/(Loss) After Tax	4,584	(13,181)	135%
Profit/(Loss) Attributable to Owners of the Company	4,584	(13,181)	135%

1Q 2018 vs. 4Q 2017 (QoQ)

Group revenue was RM357.0 million in 1Q 2018 as compared with RM318.5 million in 4Q 2017. This was mainly due to higher sales quantity of refined tin. In terms of tin prices, tin prices on the Kuala Lumpur Tin Market (“KLTM”) increased QoQ in USD terms, but this has been offset by the strengthening of the RM vs USD.

The Group recorded a profit before tax of RM7.1 million in 1Q 2018 as compared with a loss before tax RM13.0 million in 4Q 2017. This was due to the higher revenue earned in 1Q2018.

The tin smelting segment recorded a loss before tax of RM2.2 million in 1Q 2018 as compared with a loss before tax of RM21.8 million in 4Q 2017. This was mainly due to higher sales quantity of refined tin, higher profit from sale of by-products, lower production cost and operating expenses.

The tin mining segment recorded a profit before tax of RM9.9 million in 1Q 2018 which was consistent with 4Q 2017’s profit before tax.

The Group’s share of results of associates and joint ventures recorded a net share of profit of RM0.3 million in 1Q 2018 as compared with a net share of loss of RM1.0 million in 4Q 2017, an improvement reflective of the improved performance of the associates and joint ventures over the respective periods, as well as the strengthening of the MYR vs USD over that period.

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

	Individual Period (1st quarter)		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter	
	31.03.2018 RM'000	31.03.2017 RM'000	
Revenue	356,954	406,614	(12%)
Operating Profit	11,437	20,694	(45%)
Profit Before Interest and Tax	11,741	20,941	(44%)
Profit Before Tax	7,064	17,700	(60%)
Profit After Tax	4,584	12,623	(64%)
Profit Attributable to Owners of the Company	4,584	12,623	(64%)

1Q 2018 vs. 1Q 2017 (YoY)

Group revenue was RM357.0 million in 1Q 2018 as compared with RM406.6 million in 1Q 2017. This was due to lower sales quantity of refined tin in 1Q 2018. Also, average tin prices in 1Q 2018 on the KLTM increased, in USD terms. However, this increase in tin price has been offset by the strengthening of the RM vs USD.

Group profit before tax was RM7.1 million in 1Q 2018 as compared with RM17.7 million in 1Q 2017. The main reason for the poorer performance in 1Q2018 was the strengthening of the RM vs the USD as mentioned above.

The tin smelting segment recorded a loss before tax of RM2.2 million in 1Q 2018 as compared with a profit before tax of RM5.4 million in 1Q 2017. This was mainly due to lower sales quantity of refined tin, lower recovery yield and higher operating expenses.

The tin mining segment recorded a profit before tax of RM9.6 million in 1Q 2018 as compared with RM14.7 million in 1Q 2017. Similar with our smelting operations, the higher tin prices in USD terms was offset by the strengthening of RM vs USD during that period.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM0.3 million in 1Q 2018, quite consistent with RM0.2 million in 1Q 2017.

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

B11. Current Year Prospects

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

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

As we progressively move our operations to our new plant, we expect overheads to increase as we run two plants, with only one generating revenue. We expect this to impact our financial performance for this and the next 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.

B12. Earnings Per Share Attributable to Owners of the Company

	3 months ended 31.03.2018	3 months ended 31.03.2017
Profit net of tax attributable to owners of the Company (RM'000)	4,584	12,623
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic and diluted earnings per share (sen)	**4.6**	**12.6**

B13. Dividend Payable

The Board of Directors has recommended, for approval of the members at the forthcoming Annual General Meeting to be held on 30 May 2018, the payment of a first and final single tier dividend of RM0.04 per share (2016: RM0.08 per share) amounting to RM4,000,000 (2016: RM8,000,000) for the financial year ended 31 December 2017.

The Book Closure Date and Payment Date is set at 12 June 2018 and 9 July 2018, subject to the approval of the shareholders as mentioned above.

By Order of the Board
Soo Han Yee
Company Secretary

Kuala Lumpur
8 May 2018