



MALAYSIA SMELTING CORPORATION BERHAD

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)

14 November 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

		As at 30.09.2018 Unaudited RM'000	As at 31.12.2017 Audited RM'000
Assets	Note		
Non-current assets			
Property, plant and equipment		115,190	159,309
Prepaid land lease payments		488	740
Intangible assets		5,255	5,942
Investments in associates and joint ventures		34,741	34,568
Investment securities		15,635	21,205
Land held for development		78,654	-
Other non-current assets		13,852	14,445
Deferred tax assets		16,156	7,227
		<u>279,971</u>	<u>243,436</u>
Current assets			
Inventories		493,890	469,677
Trade receivables	B5	25,701	11,436
Other receivables		7,653	9,345
Trade prepayments		22,441	49,694
Other prepayments		2,887	2,465
Tax recoverable		15,204	19,312
Derivative financial instruments		-	375
Cash, bank balances and deposits		31,198	68,678
		<u>598,974</u>	<u>630,982</u>
Total assets		<u>878,945</u>	<u>874,418</u>
Equity and liabilities			
Current liabilities			
Provisions		2,680	12,315
Borrowings	B6	377,018	452,781
Trade and other payables	A15	130,116	86,517
Current tax payable		441	51
Derivative financial instruments		4,289	2,458
		<u>514,544</u>	<u>554,122</u>
Net current assets		<u>84,430</u>	<u>76,860</u>
Non-current liabilities			
Provisions		28,650	27,904
Deferred tax liabilities		3,172	1,343
		<u>31,822</u>	<u>29,247</u>
Total liabilities		<u>546,366</u>	<u>583,369</u>
Net assets		<u>332,579</u>	<u>291,049</u>
Equity attributable to owners of the Company			
Share capital		200,000	174,666
Other reserves		7,637	43,651
Retained earnings		124,650	72,439
		<u>332,287</u>	<u>290,756</u>
Non-controlling interest		292	293
Total Equity		<u>332,579</u>	<u>291,049</u>
Total equity and liabilities		<u>878,945</u>	<u>874,418</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.83</u>	<u>2.91</u>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017 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 2018

	Note	3 rd Quarter		Year to Date	
		3 months ended		9 months ended	
		30.09.2018	30.09.2017	30.09.2018	30.09.2017
		RM'000	RM'000	RM'000	RM'000
Revenue	A8	309,432	403,165	993,202	1,117,658
Operating profit		21,805	16,047	44,157	51,887
Finance costs		(4,611)	(3,737)	(13,795)	(10,520)
Share of results of associates and joint ventures		(175)	(638)	47	(113)
Profit before tax	B2	17,019	11,672	30,409	41,254
Income tax expense	B3	(5,360)	(4,025)	(11,707)	(11,969)
Profit net of tax		11,659	7,647	18,702	29,285
Attributable to:					
Owners of the Company		11,660	7,648	18,703	29,286
Non-controlling interest		(1)	(1)	(1)	(1)
		11,659	7,647	18,702	29,285
Earnings per share attributable to owners of the Company (sen):					
Basic and diluted	B12	2.9	1.9	4.7	7.3

The unaudited condensed consolidated statement of profit or loss should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	3 rd Quarter		Year to Date	
	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	11,659	7,647	18,702	29,285
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Revaluation surplus on property, plant and equipment, net	31,998	-	31,998	-
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	(2,573)	1,279	(4,470)	3,537
Share of an associate's revaluation reserves on property, plant and equipment	(155)	-	(155)	-
	<u>29,270</u>	<u>1,279</u>	<u>27,373</u>	<u>3,537</u>
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	(1)	-	(1)	1
Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate	-	-	(825)	-
Net fair value changes on cash flow hedges	-	-	-	1,720
Share of foreign currency translation of an associate and a joint venture	396	(216)	281	(853)
	<u>395</u>	<u>(216)</u>	<u>(545)</u>	<u>868</u>
Other comprehensive income for the period, net of tax	29,665	1,063	26,828	4,405
Total comprehensive income for the period	<u>41,324</u>	<u>8,710</u>	<u>45,530</u>	<u>33,690</u>
Total comprehensive income attributable to:				
Owners of the Company	41,325	8,711	45,531	33,691
Non-controlling interest	(1)	(1)	(1)	(1)
	<u>41,324</u>	<u>8,710</u>	<u>45,530</u>	<u>33,690</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 2017 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

RM'000	Note	Attributable to owners of the Company							Total	Non-controlling interest	Total equity	
		Non - Distributable				Distributable						
		Share capital	Share premium	Revaluation reserves	Foreign currency translation reserves	FVOCI reserves	Hedging reserves	Other reserve	Retained earnings			
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		-	-	-	-	-	-	-	18,703	18,703	(1)	18,702
Other comprehensive income		-	-	31,843	(545)	(4,470)	-	-	-	26,828	-	26,828
Total comprehensive income		-	-	31,843	(545)	(4,470)	-	-	18,703	45,531	(1)	45,530
Transfer of revaluation reserves	A10	-	-	(62,842)	-	-	-	-	62,842	-	-	-
Transactions with owners of the Company:												
Issuance of ordinary shares pursuant to bonus issue	A6	25,334	-	-	-	-	-	-	(25,334)	-	-	-
Dividend paid	A7	-	-	-	-	-	-	-	(4,000)	(4,000)	-	(4,000)
Total transactions with owners of the Company		25,334	-	-	-	-	-	-	(29,334)	(4,000)	-	(4,000)
At 30 September 2018		200,000	-	6,187	728	(984)	-	1,706	124,650	332,287	292	332,579
At 1 January 2017		100,000	76,372	31,726	3,206	5,171	(1,720)	-	64,334	279,089	294	279,383
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note a)		74,666	(74,666)	-	-	-	-	-	-	-	-	-
Reclassification		-	(1,706)	-	-	-	-	1,706	-	-	-	-
Profit for the period		-	-	-	-	-	-	-	29,286	29,286	(1)	29,285
Other comprehensive income		-	-	-	(852)	3,537	1,720	-	-	4,405	-	4,405
Total comprehensive income		-	-	-	(852)	3,537	1,720	-	29,286	33,691	(1)	33,690
Transactions with owners of the Company:												
Dividend paid	A7	-	-	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)
At 30 September 2017		174,666	-	31,726	2,354	8,708	-	1,706	85,620	304,780	293	305,073

Note a

The credit standing in the share premium account of RM74,666,000 was transferred to the share capital account on the commencement of the Companies Act 2016 ("New Act") on 31 January 2017. Pursuant to subsection 618(3) of the New Act, the credit amount transferred from the share premium account was fully utilised for the bonus issue of the Company as disclosed in Note A6.

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 30 SEPTEMBER 2018**

	9 months ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
Operating activities		
Operating cash flows before changes in working capital	55,353	59,597
Increase in inventories	(24,213)	(25,774)
(Increase)/Decrease in trade and other receivables	(10,472)	7,563
Decrease/(Increase) in trade prepayments	27,253	(1,554)
(Increase)/Decrease in other prepayments	(648)	968
Increase/(Decrease) in payables	271	(18,345)
Increase/(Decrease) in amount due to immediate holding company	7,677	(600)
Decrease/(Increase) in amount due from associates and joint ventures	730	(4,825)
Cash generated from operations	<u>55,951</u>	<u>17,030</u>
Income tax paid	(14,717)	(21,766)
Interest paid	(12,071)	(9,086)
Net cash generated from/(used in) operating activities	<u>29,163</u>	<u>(13,822)</u>
Investing activities		
Interest received	805	1,219
Payment for deferred mine exploration and evaluation expenditures and mine properties	(181)	(383)
Payment for intangible assets	-	(65)
Proceeds from disposal of investment in a joint venture	2,026	-
Proceeds from disposal of intangible assets	-	36
Proceeds from disposal of property, plant and equipment	48	1,083
Purchase of property, plant and equipment	(14,722)	(7,622)
Withdrawal of deposits of more than three months maturity with licensed banks	2,157	-
Net cash used in investing activities	<u>(9,867)</u>	<u>(5,732)</u>
Financing activities		
Dividend paid	(4,000)	(8,000)
(Repayment)/Drawdown of short term trade financing and other borrowings	(75,682)	9,528
Loan from immediate holding company	25,000	-
Net cash (used in)/generated from financing activities	<u>(54,682)</u>	<u>1,528</u>
Net decrease in cash and cash equivalents	(35,386)	(18,026)
Effect of changes in foreign exchange rates	33	609
Cash and cash equivalents as at 1 January	<u>64,943</u>	<u>76,873</u>
Cash and cash equivalents as at 30 September	<u>29,590</u>	<u>59,456</u>
	2018	2017
Cash and bank balances comprise the following at 30 September:	RM'000	RM'000
Cash and short term deposits	29,590	59,456
Deposits of more than three months maturity with licensed banks	1,608	3,688
	<u>31,198</u>	<u>63,144</u>

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 30 September 2018 RM'000
Loan from immediate holding company	-	25,000	-	25,000
Short term trade finance	403,617	(75,682)	-	327,935
Term loan - current	49,164	-	(81)	49,083
Term loan - non-current	-	-	-	-
Total liabilities from financing activities	<u>452,781</u>	<u>(50,682)</u>	<u>(81)</u>	<u>402,018</u>
	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 30 September 2017 RM'000
Loan from immediate holding company	-	-	-	-
Short term trade finance	289,187	9,528	-	298,715
Term loan - current	-	-	-	-
Term loan - non-current	50,282	-	163	50,445
Total liabilities from financing activities	<u>339,469</u>	<u>9,528</u>	<u>163</u>	<u>349,160</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 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.

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
MFRS 2 Classification and Measurement of Share-based Payment Transactions <i>(Amendments to MFRS 2)</i>	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 <i>(Amendments to MFRS 140)</i>	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:

MFRS 15 Revenue from Contracts with Customers

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

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)

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:

MFRS 16 Leases

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

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

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

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A3. Seasonal or Cyclical Factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter and financial year-to-date ended 30 September 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 30 September 2018.

A6. Debt and Equity Securities

On 15 August 2018, the number of ordinary shares of the Company were increased from 100,000,000 to 400,000,000 by way of:

- i. 100,000,000 ordinary shares in MSC were subdivided into 200,000,000 subdivided ordinary shares of in MSC (“Split Shares(s)”); and
- ii. 200,000,000 new Split Shares (“Bonus Shares”) were issued.

Bonus Issue of 200,000,000 new ordinary shares, credited as fully paid-up share capital on the basis of 1 bonus share for every 1 split share through capitalisation of the share premium (transferred to the share capital account) and retained earnings of the Company of RM74,666,000 and RM25,334,000 respectively.

Other than the above, there were no issuance and repayment of debts and equity securities during the current quarter and financial year-to-date ended 30 September 2018.

A7. Dividend Paid

The following dividends were paid during the current and previous corresponding financial period ended:

	30.09.2018	30.09.2017
Final dividend for financial year ended	31 December 2017	31 December 2016
Approved and declared on	30 May 2018	17 May 2017
Date paid	9 July 2018	11 July 2017
Number of ordinary shares on which dividends were paid ('000)	100,000	100,000
Dividend per share (single-tier)	4.0 sen	8.0 sen
Dividend paid	RM4,000,000	RM8,000,000

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Tin Mining and Smelting 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 September 2018					
Major products or services:					
Sale of tin	295,077	45,303	340,380	(45,303)	295,077
Smelting revenue	7,573	-	7,573	-	7,573
Sale of by-products	6,013	-	6,013	-	6,013
Others	769	-	769	-	769
	<u>309,432</u>	<u>45,303</u>	<u>354,735</u>	<u>(45,303)</u>	<u>309,432</u>

Timing of revenue recognition					
At a point in time	<u>309,432</u>	<u>45,303</u>	<u>354,735</u>	<u>(45,303)</u>	<u>309,432</u>

For 3 months ended 30 September 2017

Major products or services:					
Sale of tin	391,618	44,423	436,041	(44,423)	391,618
Smelting revenue	6,629	-	6,629	-	6,629
Sale of by-products	3,816	-	3,816	-	3,816
Others	1,102	-	1,102	-	1,102
	<u>403,165</u>	<u>44,423</u>	<u>447,588</u>	<u>(44,423)</u>	<u>403,165</u>

Timing of revenue recognition					
At a point in time	<u>403,165</u>	<u>44,423</u>	<u>447,588</u>	<u>(44,423)</u>	<u>403,165</u>

For 9 months ended 30 September 2018

Major products or services:					
Sale of tin	949,337	135,974	1,085,311	(135,974)	949,337
Smelting revenue	22,467	-	22,467	-	22,467
Sale of by-products	17,873	-	17,873	-	17,873
Others	3,525	-	3,525	-	3,525
	<u>993,202</u>	<u>135,974</u>	<u>1,129,176</u>	<u>(135,974)</u>	<u>993,202</u>

Timing of revenue recognition					
At a point in time	<u>993,202</u>	<u>135,974</u>	<u>1,129,176</u>	<u>(135,974)</u>	<u>993,202</u>

For 9 months ended 30 September 2017

Major products or services:					
Sale of tin	1,083,978	139,321	1,223,299	(139,321)	1,083,978
Smelting revenue	20,759	-	20,759	-	20,759
Sale of by-products	9,739	-	9,739	-	9,739
Others	3,182	-	3,182	-	3,182
	<u>1,117,658</u>	<u>139,321</u>	<u>1,256,979</u>	<u>(139,321)</u>	<u>1,117,658</u>

Timing of revenue recognition					
At a point in time	<u>1,117,658</u>	<u>139,321</u>	<u>1,256,979</u>	<u>(139,321)</u>	<u>1,117,658</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
Results for 3 months ended 30 September 2018						
Revenue						
Sales to external customers	309,432	-	-	309,432	-	309,432
Inter-segment sales	-	45,303	-	45,303	(45,303)	-
Total revenue	309,432	45,303	-	354,735	(45,303)	309,432
Results						
Operating profit/(loss)	11,474	10,226	(5)	21,695	110	21,805
Finance costs	(4,204)	(248)	(159)	(4,611)	-	(4,611)
Share of results of associates and joint ventures	-	-	(175)	(175)	-	(175)
Profit/(Loss) before tax	7,270	9,978	(339)	16,909	110	17,019
Income tax expense	(2,529)	(2,805)	-	(5,334)	(26)	(5,360)
Profit/(Loss) net of tax	4,741	7,173	(339)	11,575	84	11,659

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 3 months ended 30 September 2017						
Revenue						
Sales to external customers	403,165	-	-	403,165	-	403,165
Inter-segment sales	-	44,423	-	44,423	(44,423)	-
Total revenue	403,165	44,423	-	447,588	(44,423)	403,165
Results						
Operating profit/(loss)	3,900	9,141	(25)	13,016	3,031	16,047
Finance costs	(3,364)	(256)	(117)	(3,737)	-	(3,737)
Share of results of associates and joint ventures	-	-	(638)	(638)	-	(638)
Profit/(Loss) before tax	536	8,885	(780)	8,641	3,031	11,672
Income tax expense	(754)	(2,543)	-	(3,297)	(728)	(4,025)
(Loss)/Profit net of tax	(218)	6,342	(780)	5,344	2,303	7,647
Results for 9 months ended 30 September 2018						
Revenue						
Sales to external customers	993,202	-	-	993,202	-	993,202
Inter-segment sales	-	135,974	-	135,974	(135,974)	-
Total revenue	993,202	135,974	-	1,129,176	(135,974)	993,202
Results						
Operating profit/(loss)	14,869	29,661	(31)	44,499	(342)	44,157
Finance costs	(12,520)	(746)	(529)	(13,795)	-	(13,795)
Share of results of associates and joint ventures	-	-	47	47	-	47
Profit/(Loss) before tax	2,349	28,915	(513)	30,751	(342)	30,409
Income tax (expense)/credit	(3,590)	(8,199)	-	(11,789)	82	(11,707)
(Loss)/Profit net of tax	(1,241)	20,716	(513)	18,962	(260)	18,702

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
Results for 9 months ended 30 September 2017						
Revenue						
Sales to external customers	1,117,658	-	-	1,117,658	-	1,117,658
Inter-segment sales	-	139,321	-	139,321	(139,321)	-
Total revenue	1,117,658	139,321	-	1,256,979	(139,321)	1,117,658
Results						
Operating profit/(loss)	11,486	37,521	(72)	48,935	2,952	51,887
Finance costs	(9,191)	(767)	(562)	(10,520)	-	(10,520)
Share of results of associates and joint ventures	-	-	(113)	(113)	-	(113)
Profit/(Loss) before tax	2,295	36,754	(747)	38,302	2,952	41,254
Income tax expense	(1,161)	(10,099)	-	(11,260)	(709)	(11,969)
Profit/(Loss) net of tax	1,134	26,655	(747)	27,042	2,243	29,285

Assets and Liabilities as at 30 September 2018

Assets						
Segment assets	761,217	70,479	15,644	847,340	(3,136)	844,204
Investment in associates and joint ventures	-	-	34,741	34,741	-	34,741
Total assets	761,217	70,479	50,385	882,081	(3,136)	878,945
Liabilities						
Segment liabilities	467,991	78,309	66	546,366	-	546,366

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 except that in furtherance to the Memorandum of Understanding between MSC Properties Sdn. Bhd., a wholly owned subsidiary of MSC and The Straits Trading Company Limited on 27 September 2018 for the proposed joint cooperation of both parties either to develop or sell the land, a valuation was carried out to ascertain the fair market value of the freehold land and buildings located at 27 Jalan Pantai, 12000 Butterworth, on a "Redevelopment" basis. The revaluation exercise gives a net revaluation surplus of RM30.5 million and it has been incorporated in 3Q 2018 financial statements. The said property after the revaluation was then reclassified from Property, Plant and Equipment to Land Held for Development, and the related Revaluation Reserves were reclassified to Retained Earnings.

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

During the quarter, the Company disposed of its entire 40% interest in Africa Smelting Corporation Sprl, a joint venture for a consideration of USD500,000. This investment was previously written off during the financial year 2017.

Other than the above, there were no changes in the composition of the Group during the current quarter and financial year-to-date ended 30 September 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 30 September 2018 except for the following:

A subsidiary is defending a legal action brought by two companies. The subsidiary, via its lawyer, filed a Defense 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 30 September 2018 are as follows:

	30.09.2018	31.12.2017
	RM'000	RM'000
Approved and contracted for	18,043	18,438
Approved but not contracted for	2,808	6,420
	20,851	24,858

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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, except that during financial year-to-date, there were loans from immediate holding company totalling RM25.0 million. These loans are denominated in Ringgit Malaysia and are repayable within one year. The interest rate for these loans is 3.8% per annum. The loans balance is included in trade and other payables as at 30 September 2018.

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 September 2018				
Assets measured at fair value:				
Land and buildings	-	-	47,522	47,522
Investment securities	15,635	-	-	15,635
Liabilities measured at fair value:				
Derivative financial instruments	-	4,289	-	4,289
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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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

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 2018 except for the freehold land and buildings located at Butterworth which have been reclassified to Land Held for Development as mentioned in Note A10.

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 rd Quarter ended 30.09.2018 RM'000	3 rd Quarter ended 30.09.2017 RM'000	9 months ended 30.09.2018 RM'000	9 months ended 30.09.2017 RM'000
After charging/(crediting):				
Depreciation and amortisation	4,624	4,293	13,601	11,203
Fair value (gain)/loss in derivative financial instruments				
- Forward currency contracts	(1,211)	254	2,206	(244)
Favourable inventory valuation adjustment	-	(387)	-	-
Net foreign exchange loss	3,701	3,422	2,264	3,299
Gain on disposal of a joint venture	(2,026)	-	(2,026)	-
Gain on disposal of property, plant and equipment	-	(337)	(48)	(157)
Interest income	(196)	(516)	(808)	(1,342)
Loss on disposal of intangible assets	-	16	-	16
Other income including investment income	(6,508)	(3,315)	(9,016)	(4,042)
Revaluation deficit on property	1,805	-	1,805	-
Reversal of impairment of receivables	(2,906)	-	(2,906)	-

There was no material impairment of assets recognised as a loss during the current quarter and financial year-to-date ended 30 September 2018.

B3. Income Tax (Expense)/Credit

Income tax (expense)/credit comprises the following:

	3 rd Quarter ended 30.09.2018 RM'000	3 rd Quarter ended 30.09.2017 RM'000	9 months ended 30.09.2018 RM'000	9 months ended 30.09.2017 RM'000
Income tax				
- Current provision	(10,205)	(6,548)	(19,236)	(17,452)
- Over provision in prior year	21	270	21	270
	(10,184)	(6,278)	(19,215)	(17,182)
Deferred tax				
- Relating to origination and reversal of temporary differences	5,055	2,062	7,739	5,022
- (Under)/Over provision in prior year	(231)	191	(231)	191
	4,824	2,253	7,508	5,213
Total income tax expense	(5,360)	(4,025)	(11,707)	(11,969)

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

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

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

B4. Corporate Proposal

There was no corporate proposal announced but not completed as at 8 November 2018, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report.

B5. Trade Receivables

The age analysis of trade receivable of the Group as at 30 September 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 30.09.2018	25,674	-	-	1	23	3	25,701	
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 RM27,000 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 2018 are as follows:

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Short Term Borrowings (unsecured)		
Bankers' acceptances	327,935	403,617
Term loan	49,083	49,164
	377,018	452,781

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

During the 9 months ended 30 September 2018, the Group reduced its total borrowings by approximately 16.7% from RM452.8 million as at 31 December 2017 to RM377.0 million as at 30 September 2018 due to repayment of short term trade financing. Consequentially, the gearing ratio of the Group reduced to 1.1 times as at 30 September 2018 from 1.6 times as at 31 December 2017. Gearing ratio is defined as total bank borrowings over total equity.

The weighted average interest rate of short term borrowings excluding for term loan as at 30 September 2018 for the Group was 4.2% (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 30 September 2018 are as follows:

Derivative Financial Instruments	Contract Value RM'000	Fair Value RM'000	Fair Value – Financial Assets/(Liabilities) RM'000
At 30 September 2018 Forward Currency Contracts - Less than 1 year	143,800	141,615	(4,289)
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 8 November 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 30.09.2018 RM'000	Immediate Preceding Quarter 30.06.2018 RM'000	Changes %
Revenue	309,432	326,816	(5%)
Operating Profit	21,805	10,915	100%
Profit Before Interest and Tax	21,630	10,833	100%
Profit Before Tax	17,019	6,326	169%
Profit After Tax	11,659	2,459	374%
Profit Attributable to Owners of the Company	11,660	2,459	374%

3Q 2018 vs. 2Q 2018 (QoQ)

Group revenue was RM309.4 million in 3Q 2018 as compared with RM326.8 million in 2Q 2018. This was mainly due to lower sales quantity of refined tin and lower tin prices in 3Q 2018.

The Group recorded a profit before tax of RM17.0 million in 3Q 2018 as compared with RM6.3 million in 2Q 2018. The better performance in 3Q 2018 was mainly due to improved performance in the tin smelting segment, as explained in the following paragraph.

The tin smelting segment recorded a profit before tax of RM7.3 million in 3Q 2018 as compared with a loss before tax of RM2.8 million in 2Q 2018. The main reasons for the better performance in 3Q 2018 were some one-off income, i.e. reversal of impairment losses, gain on disposal of a joint venture, lead sales and higher other income.

The tin mining segment recorded a profit before tax of RM10.0 million in 3Q 2018 as compared with RM9.1 million in 2Q 2018. This was mainly due to higher production output resulting in higher sales quantity in 3Q 2018.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.2 million in 3Q 2018 as compared with a net share of loss of RM0.1 million in 2Q 2018.

**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 rd quarter)		Changes %
	Current Year To- date	Preceding Year Corresponding Period		Current Year Quarter	Preceding Year Corresponding Quarter	
	30.09.2018 RM'000	30.09.2017 RM'000		30.09.2018 RM'000	30.09.2017 RM'000	
Revenue	993,202	1,117,658	(11%)	309,432	403,165	(23%)
Operating Profit	44,157	51,887	(15%)	21,805	16,047	36%
Profit Before Interest and Tax	44,204	51,774	(15%)	21,630	15,409	40%
Profit Before Tax	30,409	41,254	(26%)	17,019	11,672	46%
Profit After Tax	18,702	29,285	(36%)	11,659	7,647	52%
Profit Attributable to Owners of the Company	18,703	29,286	(36%)	11,660	7,648	52%

9M 2018 vs. 9M 2017 (YoY)

Group revenue was RM993.2 million in the 9 months of the current financial year (9M 2018) as compared with RM1.1 billion in 9M 2017. This was mainly due to lower sales quantity of refined tin and lower average tin prices in RM terms in 9M 2018. Average tin prices in 9M 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 over the two periods under review.

Group profit before tax was RM30.4 million in 9M 2018 as compared with RM41.3 million in 9M 2017. This decrease was mainly due to the strengthening of the RM vs the USD as mentioned above, and higher operating expenses.

The tin smelting segment recorded a profit before tax of RM2.3 million in 9M 2018, consistent with 9M 2017's profit before tax.

The tin mining segment recorded a profit before tax of RM28.9 million in 9M 2018 as compared with RM36.8 million in 9M 2017. This was mainly due to lower average tin prices in RM terms in 9M 2018. Average tin prices in 9M 2018 on the KLTM increased slightly, in USD terms. However, this increase in tin price has been offset by the strengthening of the RM vs USD.

The Group recorded a marginal profit for share of results of associates and joint ventures in 9M 2018, RM0.05 million as compared with a net share of loss of RM0.1 million in 9M 2017.

An important point to note when reading the YoY analysis as set out above in this subsection is that the results up 30 September 2017 were subsequently reduced in the full Financial Year Ended 31 December 2017.

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

B10. Review of Performance (cont'd)

3Q 2018 vs. 3Q 2017 (YoY)

Group revenue was RM309.4 million in 3Q 2018 as compared with RM403.2 million in 3Q 2017. This was mainly due to lower sales quantity of refined tin and lower tin prices in 3Q 2018.

Group profit before tax was RM17.0 million in 3Q 2018 as compared with RM11.7 million in 3Q 2017. The main reasons for the better performance in 3Q 2018 were some one off income, i.e. reversal of impairment losses, gain on disposal of a joint venture, lead sales and higher other income.

The tin smelting segment recorded a profit before tax of RM7.3 million in 3Q 2018 as compared with RM0.5 million in 3Q 2017. The main reasons for the better performance in 3Q 2018 were some one off income, i.e. reversal of impairment losses, gain on disposal of a joint venture, lead sales and higher other income as mentioned above.

The tin mining segment recorded a profit before tax of RM10.0 million in 3Q 2018 as compared with RM8.9 million in 3Q 2017. This was mainly due to higher production output resulting in higher sales quantity in 3Q 2018.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.2 million and RM0.6 million in 3Q 2018 and 3Q 2017 respectively.

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. 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 mining productivity. From mid July 2018, we have increased daily mining output. This has contributed to our increased production costs in the mining segment.

We are working towards further increasing this daily mining output.

**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

Pursuant to the requirements of MFRS 133 *Earnings per Share*, the weighted average number of ordinary shares used in the calculation of basic and diluted EPS for the current and previous quarters and year-to-date ended 30 September 2018 and 30 September 2017 have been retrospectively adjusted to reflect the split shares and bonus issue.

	3rd Quarter ended 30.09.2018	3rd Quarter ended 30.09.2017	9 months ended 30.09.2018	9 months ended 30.09.2017
Profit net of tax attributable to owners of the Company (RM'000)	11,660	7,648	18,703	29,286
Weighted average number of ordinary shares in issue ('000)	400,000	400,000	400,000	400,000
Basic and diluted earnings per share (sen)	2.9	1.9	4.7	7.3

B13. Dividend Payable

No dividend is declared for the quarter ended 30 September 2018.

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 September 2018 in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*".

By Order of the Board
Soo Han Yee
Company Secretary

Kuala Lumpur
14 November 2018