



MALAYSIA SMELTING CORPORATION BERHAD

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021

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

6 August 2021



Malaysia Smelting Corporation Berhad (197801006055 (43072-A))
Interim Financial Report
For the Second Quarter ended 30 June 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	As at 30.06.2021 Unaudited RM'000	As at 31.12.2020 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment		136,566	137,912
Right-of-use assets		5,427	6,918
Land held for development		78,654	78,654
Intangible assets		3,087	3,165
Investments in associates and joint ventures		28,507	25,999
Investment securities		45,379	23,359
Other non-current assets		12,276	12,167
Deferred tax assets		12,282	9,085
		322,178	297,259
Current assets			
Inventories		655,587	604,131
Trade receivables	B5	28,445	25,576
Other receivables		25,636	1,148
Trade prepayments		5,371	10,255
Other prepayments		1,887	1,056
Tax recoverable		17,269	17,588
Derivative financial instruments		-	625
Cash, bank balances and deposits		34,495	36,846
		768,690	697,225
Total assets		1,090,868	994,484
Equity and liabilities			
Current liabilities			
Provisions		13,798	13,798
Borrowings	B6	402,036	355,223
Trade and other payables		126,983	133,127
Dividend payable	B13	4,000	-
Lease liabilities		130	1,621
Current tax payable		8,785	607
Derivative financial instruments		2,123	1,075
		557,855	505,451
Net current assets		210,835	191,774
Non-current liabilities			
Provisions		39,697	39,128
Deferred tax liabilities		2,554	2,554
Borrowings	B6	50,030	49,357
Lease liabilities		4,239	4,187
Derivative financial instruments		110	531
		96,630	95,757
Total liabilities		654,485	601,208
Net assets		436,383	393,276
Equity attributable to owners of the Company			
Share capital		200,000	200,000
Other reserves		43,921	21,832
Retained earnings		192,719	171,669
		436,640	393,501
Non-controlling interest		(257)	(225)
Total Equity		436,383	393,276
Total equity and liabilities		1,090,868	994,484
Net assets per share attributable to owners of the Company (RM)		1.09	0.98

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 2020 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 2021**

	Note	2 nd Quarter 3 months ended		Year to Date 6 months ended	
		30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Revenue	A8	327,116	144,645	603,023	349,959
Operating profit/(loss)		7,109	6,305	39,898	(5,556)
Finance costs		(4,514)	(4,125)	(8,054)	(7,706)
Share of results of associates and joint ventures		1,458	(28)	2,436	(355)
Profit/(Loss) before tax	B2	4,053	2,152	34,280	(13,617)
Income tax (expense)/credit	B3	(1,140)	(1,258)	(9,262)	1,321
Profit/(Loss) net of tax		2,913	894	25,018	(12,296)
Attributable to:					
Owners of the Company		2,929	894	25,050	(12,294)
Non-controlling interest		(16)	-	(32)	(2)
		2,913	894	25,018	(12,296)
Earnings/(Loss) per share attributable to owners of the Company (sen):					
Basic and diluted	B12	0.7	0.2	6.3	(3.1)

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 2020 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2021**

	2 nd Quarter		Year to Date	
	3 months ended		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) net of tax	2,913	894	25,018	(12,296)
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")	12,201	482	22,020	(1,112)
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	-	1	(3)	(3)
Share of foreign currency translation of an associate and a joint venture	31	(72)	72	572
	31	(71)	69	569
Other comprehensive income for the period, net of tax	12,232	411	22,089	(543)
Total comprehensive income for the period	15,145	1,305	47,107	(12,839)
Total comprehensive income attributable to:				
Owners of the Company	15,161	1,305	47,139	(12,837)
Non-controlling interest	(16)	-	(32)	(2)
	15,145	1,305	47,107	(12,839)

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 2020 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 2021**

		Attributable to owners of the Company								
		← Non - Distributable →				→ Distributable				
RM'000	Note	Share capital	Revaluation reserves	Foreign currency translation reserves	FVOCI reserves	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2021		200,000	12,360	1,025	6,741	1,706	171,669	393,501	(225)	393,276
Profit for the period		-	-	-	-	-	25,050	25,050	(32)	25,018
Other comprehensive income		-	-	69	22,020	-	-	22,089	-	22,089
Total comprehensive income		-	-	69	22,020	-	25,050	47,139	(32)	47,107
Transactions with owners of the Company:										
Dividend payable	B13	-	-	-	-	-	(4,000)	(4,000)	-	(4,000)
At 30 June 2021		200,000	12,360	1,094	28,761	1,706	192,719	436,640	(257)	436,383
At 1 January 2020		200,000	8,277	1,273	(6,856)	1,706	164,505	368,905	289	369,194
Loss for the period		-	-	-	-	-	(12,294)	(12,294)	(2)	(12,296)
Other comprehensive income		-	-	569	(1,112)	-	-	(543)	-	(543)
Total comprehensive income		-	-	569	(1,112)	-	(12,294)	(12,837)	(2)	(12,839)
At 30 June 2020		200,000	8,277	1,842	(7,968)	1,706	152,211	356,068	287	356,355

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 2020 and the accompanying explanatory notes attached to the Interim Financial Report.



Malaysia Smelting Corporation Berhad (197801006055 (43072-A))
Interim Financial Report
For the Second Quarter ended 30 June 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021

	6 months ended	
	30.06.2021	30.06.2020
	RM'000	RM'000
Operating activities		
Operating cash flows before changes in working capital	25,430	19,073
(Increase)/Decrease in inventories	(27,456)	15,220
(Increase)/Decrease in trade and other receivables	(27,192)	1,412
Decrease/(Increase) in trade prepayments	4,884	(69,240)
Increase in other prepayments	(856)	(587)
Decrease in payables	(7,085)	(9,749)
Decrease in amount due to immediate holding company	(30)	(35)
Cash used in operations	<u>(32,305)</u>	<u>(43,906)</u>
Income tax paid	(3,962)	(7,366)
Interest paid	(6,490)	(6,750)
Net cash used in operating activities	<u>(42,757)</u>	<u>(58,022)</u>
Investing activities		
Interest received	79	291
Payment for deferred mine exploration and evaluation expenditures and mine properties	(663)	(496)
Payment for right-of-use assets	(34)	(252)
Purchase of property, plant and equipment	(3,684)	(5,394)
Net cash used in investing activities	<u>(4,302)</u>	<u>(5,851)</u>
Financing activities		
Drawdown of short term trade borrowings	46,151	75,284
Payment of lease liabilities	(1,439)	(3,451)
Net cash generated from financing activities	<u>44,712</u>	<u>71,833</u>
Net (decrease)/increase in cash and cash equivalents	(2,347)	7,960
Effect of changes in foreign exchange rates	(4)	12
Cash and cash equivalents as at 1 January	<u>36,846</u>	<u>35,738</u>
Cash and cash equivalents as at 30 June	<u>34,495</u>	<u>43,710</u>

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at		← Non-cash changes →		Carrying amount as at
	1 January 2021	Cash flows	Additions	Foreign exchange movement	
	RM'000	RM'000	RM'000	RM'000	30 June 2021
Lease liabilities	5,808	(1,439)	-	-	4,369
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	355,223	46,151	-	662	402,036
Term loan	49,357	-	-	673	50,030
Total liabilities from financing activities	<u>483,849</u>	<u>44,712</u>	<u>-</u>	<u>1,335</u>	<u>529,896</u>

	Carrying amount as at		← Non-cash changes →		Carrying amount as at
	1 January 2020	Cash flows	Additions	Foreign exchange movement	
	RM'000	RM'000	RM'000	RM'000	30 June 2020
Lease liabilities	10,120	(3,451)	3,906	-	10,575
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	216,912	75,284	-	14	292,210
Term loan	49,259	-	-	544	49,803
Total liabilities from financing activities	<u>349,752</u>	<u>71,833</u>	<u>3,906</u>	<u>558</u>	<u>426,049</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 2020 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 2020.

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 2020.

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 2020 except for the adoption of the pronouncements that became effective from 1 January 2021.

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 16 Leases – COVID-19 - Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - Interest Rate Benchmark Reform – Phase 2	1 January 2021

The adoption of the above pronouncements did not have a material impact on the financial statements of the Group.

ii) Standards, Amendments and Annual Improvements issued but not yet effective

The Group has not adopted the following pronouncements that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendment to MFRS 16 Leases – COVID-19 – Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRSs contained in the document entitled “ <i>Annual Improvements to MFRS Standards 2018-2020</i> ”	1 January 2022
Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment – Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023

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)

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting policies	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A3. Seasonal or Cyclical Factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter and financial year-to-date ended 30 June 2021 except for reversal of inventories written down to net realisable value of RM24.0 million as disclosed in Note B2.

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 2021.

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 2021.

A7. Dividend Paid

There was no dividend paid during the current financial year-to-date ended 30 June 2021 and previous corresponding financial year-to-date ended 30 June 2020.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Revenue

Disaggregation of revenue

The following table illustrates the Group's revenue as disaggregated by major products or services and provides a reconciliation of the disaggregated revenue with the Group's two business segments as disclosed in Note A9. The table also includes the timing of revenue recognition.

	Tin Smelting RM'000	Tin Mining RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
For 3 months ended 30 June 2021					
Major products or services:					
Sale of tin	319,173	52,815	371,988	(52,815)	319,173
Smelting revenue	4,676	-	4,676	-	4,676
Sale of by-products	3,164	-	3,164	-	3,164
Others	103	-	103	-	103
	327,116	52,815	379,931	(52,815)	327,116
Timing of revenue recognition					
At a point in time	327,116	52,815	379,931	(52,815)	327,116
For 3 months ended 30 June 2020					
Major products or services:					
Sale of tin	135,285	26,758	162,043	(26,758)	135,285
Smelting revenue	5,347	-	5,347	-	5,347
Sale of by-products	3,421	-	3,421	-	3,421
Others	592	-	592	-	592
	144,645	26,758	171,403	(26,758)	144,645
Timing of revenue recognition					
At a point in time	144,645	26,758	171,403	(26,758)	144,645
For 6 months ended 30 June 2021					
Major products or services:					
Sale of tin	584,890	120,013	704,903	(120,013)	584,890
Smelting revenue	12,075	-	12,075	-	12,075
Sale of by-products	3,665	-	3,665	-	3,665
Others	2,393	-	2,393	-	2,393
	603,023	120,013	723,036	(120,013)	603,023
Timing of revenue recognition					
At a point in time	603,023	120,013	723,036	(120,013)	603,023
For 6 months ended 30 June 2020					
Major products or services:					
Sale of tin	327,878	63,431	391,309	(63,431)	327,878
Smelting revenue	13,885	-	13,885	-	13,885
Sale of by-products	6,842	-	6,842	-	6,842
Others	1,354	-	1,354	-	1,354
	349,959	63,431	413,390	(63,431)	349,959
Timing of revenue recognition					
At a point in time	349,959	63,431	413,390	(63,431)	349,959

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 June 2021						
Revenue						
Sales to external customers	327,116	-	-	327,116	-	327,116
Inter-segment sales	-	52,815	-	52,815	(52,815)	-
Total revenue	327,116	52,815	-	379,931	(52,815)	327,116
Results						
Operating (loss)/profit	(13,276)	22,688	(8)	9,404	(2,295)	7,109
Finance costs	(3,936)	(338)	(240)	(4,514)	-	(4,514)
Share of results of associates and joint ventures	-	-	1,458	1,458	-	1,458
(Loss)/Profit before tax	(17,212)	22,350	1,210	6,348	(2,295)	4,053
Income tax credit/(expense)	4,064	(5,755)	-	(1,691)	551	(1,140)
(Loss)/Profit net of tax	(13,148)	16,595	1,210	4,657	(1,744)	2,913

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 June 2020						
Revenue						
Sales to external customers	144,645	-	-	144,645	-	144,645
Inter-segment sales	-	26,758	-	26,758	(26,758)	-
Total revenue	144,645	26,758	-	171,403	(26,758)	144,645
Results						
Operating profit/(loss)	3,360	3,469	(11)	6,818	(513)	6,305
Finance costs	(3,570)	(453)	(102)	(4,125)	-	(4,125)
Share of results of associates and joint ventures	-	-	(28)	(28)	-	(28)
(Loss)/Profit before tax	(210)	3,016	(141)	2,665	(513)	2,152
Income tax (expense)/credit	(431)	(951)	-	(1,382)	124	(1,258)
(Loss)/Profit net of tax	(641)	2,065	(141)	1,283	(389)	894
Results for 6 months ended 30 June 2021						
Revenue						
Sales to external customers	603,023	-	-	603,023	-	603,023
Inter-segment sales	-	120,013	-	120,013	(120,013)	-
Total revenue	603,023	120,013	-	723,036	(120,013)	603,023
Results						
Operating profit/(loss)	4,396	49,303	(11)	53,688	(13,790)	39,898
Finance costs	(7,028)	(667)	(359)	(8,054)	-	(8,054)
Share of results of associates and joint ventures	-	-	2,436	2,436	-	2,436
(Loss)/Profit before tax	(2,632)	48,636	2,066	48,070	(13,790)	34,280
Income tax (expense)/credit	(121)	(12,451)	-	(12,572)	3,310	(9,262)
(Loss)/Profit net of tax	(2,753)	36,185	2,066	35,498	(10,480)	25,018

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 6 months ended 30 June 2020						
Revenue						
Sales to external customers	349,959	-	-	349,959	-	349,959
Inter-segment sales	-	63,431	-	63,431	(63,431)	-
Total revenue	349,959	63,431	-	413,390	(63,431)	349,959
Results						
Operating (loss)/profit	(17,819)	10,111	(33)	(7,741)	2,185	(5,556)
Finance costs	(6,691)	(812)	(203)	(7,706)	-	(7,706)
Share of results of associates and joint ventures	-	-	(355)	(355)	-	(355)
(Loss)/Profit before tax	(24,510)	9,299	(591)	(15,802)	2,185	(13,617)
Income tax credit/(expense)	4,594	(2,749)	-	1,845	(524)	1,321
(Loss)/Profit net of tax	(19,916)	6,550	(591)	(13,957)	1,661	(12,296)

Assets and Liabilities as at 30 June 2021

Assets

Segment assets	961,155	74,013	45,386	1,080,554	(18,193)	1,062,361
Investment in associates and joint ventures	-	-	28,507	28,507	-	28,507
Total assets	961,155	74,013	73,893	1,109,061	(18,193)	1,090,868

Liabilities

Segment liabilities	588,892	65,492	101	654,485	-	654,485
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Assets and Liabilities as at 31 December 2020

Assets

Segment assets	876,237	76,593	23,367	976,197	(7,712)	968,485
Investment in associates and joint ventures	-	-	25,999	25,999	-	25,999
Total assets	876,237	76,593	49,366	1,002,196	(7,712)	994,484

Liabilities

Segment liabilities	544,999	56,106	103	601,208	-	601,208
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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 2020.

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 2021.

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 2021 except for the following:

- (a) A subsidiary defended a legal action brought about by two companies ("Plaintiffs") for the payment of tributes. Following completion of the trial on 26 July 2019, the decision delivered by the judge on 31 July 2019 was in subsidiary's favour. The two companies have filed an Appeal at the Court of Appeal. The hearing of the Appeal was fixed on 24 August 2020. However, the Court of Appeal subsequently vacated the hearing and has rescheduled the same to 16 August 2021. The hearing has been rescheduled again to 25 August 2021. The estimated liability is approximately RM54.6 million as at 30 June 2021 should the Plaintiffs action be successful.

The Board, having obtained advice from its legal counsel, is of the opinion that the Plaintiff's appeal is unlikely (i.e. possible, but not probable) to succeed and accordingly no provision for liability is required to be made in the financial statements.

In connection with the abovementioned case, the subsidiary has separately instituted legal action against two former executive officers of the Company, the above two companies, and certain persons connected with the two companies, claiming for damages for breach of fiduciary duties, conspiracy, dishonest assistance. The Defendants have applied to the Court to strike out the subsidiary's claim. The hearing for the striking out applications was held on 7 October 2020 whereby the learned judge decided that the applications will be decided based on written submission. The decision on the applications was scheduled to be handed down on 5 November 2020. However, the decision on the striking out applications was deferred to 17 December 2020. In this regard, the High Court has dismissed all the striking out applications by the Defendants. Except for one Defendant, all the other Defendants have filed an appeal against the High Court's decision to dismiss their striking out application. The hearing of the 1st Defendant and 2nd to 5th Defendants striking out applications was initially fixed on 14 June 2021. However, due to the implementation of the Full Movement Control Order (FMCO), the hearing was vacated and re-scheduled to 23 August 2021. In respect of the Defendant that did not appeal against the decision of the High Court, the deadline to file an appeal against this decision has passed.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A13. Changes in Contingent Liabilities and Contingent Assets (cont'd)

- (a) The same Defendants have also applied for a stay of proceedings at the High Court pending the resolution of their appeal. The High Court had dismissed this application on 26 March 2021. Subsequently, at a case management held on 16 April 2021, the Registrar had directed all parties to continue with pre-trial directions given. The next case management was scheduled on 25 June 2021 but was postponed to 16 July 2021 due to the FMCO. At the case management hearing, the Court further directed for the Common Bundle of Documents to be finalized within two (2) weeks. The trial dates have been fixed for 18 April 2022 to 22 April 2022.

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

- (b) A Plaintiff representing a foreign workers' contractor, has commenced legal proceedings against the Company, amongst others for the sum of RM2,597,621.48. The Plaintiff's cause of action is premised upon the purported breach of contract. The Company denies any breach of contract as alleged. The matter was originally fixed for full trial from 12 July 2021 to 14 July 2021 but was vacated due to the FMCO. The new date for the trial has been fixed for 7 February 2022 to 8 February 2022.

The Board, having obtained advice from its legal counsel, is of the opinion that the Company has a good chance of winning the case and accordingly no provision for liability is required to be made in the financial statements.

A14. Capital Commitments

Capital commitments of the Group as at 30 June 2021 are as follows:

	30.06.2021	31.12.2020
	RM'000	RM'000
Approved and contracted for	8,850	9,103
Approved but not contracted for	2,702	1,120
	11,552	10,223

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 2020.

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 2021				
Assets measured at fair value:				
Land and buildings	-	-	58,218	58,218
Investment securities	45,379	-	-	45,379
Liabilities measured at fair value:				
Derivative financial instruments – current	853	1,270	-	2,123
Derivative financial instruments – non-current	-	110	-	110
At 31 December 2020				
Assets measured at fair value:				
Land and buildings	-	-	58,633	58,633
Investment securities	23,359	-	-	23,359
Derivative financial instruments – current	-	625	-	625
Liabilities measured at fair value:				
Derivative financial instruments – current	1,075	-	-	1,075
Derivative financial instruments – non-current	-	531	-	531

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 2021.

**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 2020 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 30.06.2021 RM'000	2 nd Quarter ended 30.06.2020 RM'000	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000
After charging/(crediting):				
Depreciation and amortisation	2,718	4,851	7,179	9,906
Fair value (gain)/loss in derivative financial instruments				
- Forward tin contracts	(5,098)	(1,737)	(222)	(543)
- Forward currency contracts	(1,634)	(3,756)	1,474	1,033
Net foreign exchange loss	1,290	2,845	1,330	2,374
Interest income	(61)	(131)	(79)	(291)
(Reversal of inventories written down)/ Inventories written down to net realisable value	-	-	(24,000)	14,000
Other income including investment income	(36)	(1,536)	(79)	(1,565)
Property, plant and equipment written off	-	-	12	-

Save as disclosed above, there was no material impairment of assets recognised as a loss during the current quarter and financial year-to-date ended 30 June 2021.

B3. Income Tax (Expense)/Credit

Income tax (expense)/credit comprises the following:

	2 nd Quarter ended 30.06.2021 RM'000	2 nd Quarter ended 30.06.2020 RM'000	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000
Income tax				
- Current provision	(5,736)	(897)	(12,460)	(2,775)
Deferred tax				
- Relating to origination and reversal of temporary differences	4,596	(361)	3,198	4,096
Total income tax (expense)/credit	(1,140)	(1,258)	(9,262)	1,321

For the current financial year-to-date ended 30 June 2021, 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 31 July 2021, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report except for the following:

Private Placement

On 15 July 2021, the Company announced that it proposed to undertake a private placement of up to 20,000,000 shares ("Placement Shares"), representing not more than 5% of the Company's total number of issued shares ("Proposed Private Placement"), to independent third-party investors. The Company submitted the additional listing application to Bursa Malaysia Securities Berhad ("Bursa Securities") on 15 July 2021 and obtained the approval from Bursa Securities on 19 July 2021. The Proposed Private Placement is undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016, approved by the shareholders at its 42nd Annual General Meeting held on 18 June 2021, and shall rank equally in all aspects with the existing MSC Shares in issue.

The Company has on 21 July 2021 ("Price-fixing Date") fixed the issue price for 20,000,000 Placement Shares at RM1.90 per Placement Share ("Issue Price"). The Issue Price represents a discount of RM0.0995 or approximately 5% to the 5-day volume weighted average market price of the MSC Shares up to and including 19 July 2021 of RM1.9995 per MSC Share. 19 July 2021 was the last market day immediately preceding the Price Fixing Date.

The gross proceeds to be raised from the Proposed Private Placement are intended to be utilised by MSC and its subsidiaries in the following manner:

Utilisation purposes	Amount of estimated gross proceeds (RM'000)	Expected timeframe for utilisation of proceeds (from the date of listing of the Placement Shares)
Repayment of bank borrowings	30,000	Within 12 months
Working capital	7,194	Within 12 months
Estimated expenses in relation to the Proposed Private Placement	806	Immediately
Total	38,000	

The Private Placement exercise was completed on 2 August 2021.

B5. Trade Receivables

The age analysis of trade receivable of the Group as at 30 June 2021 is as follows:

	Not past due RM'000	← Past due →					Total 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	
Trade receivables as at 30.06.2021	28,366	-	22	23	10	24	28,445
Trade receivables as at 31.12.2020	25,328	-	240	6	-	2	25,576

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

B5. Trade Receivables (cont'd)

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 RM79,000 that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are from creditworthy customers.

B6. Loans and Borrowings

Details of the Group's loans and borrowings as at 30 June 2021 are as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Short Term Borrowings (unsecured)		
Short term trade financing	30,856	23,650
Bankers' acceptances / Trust receipt	341,180	301,573
Revolving credit	30,000	30,000
	402,036	355,223
Long Term Borrowings (unsecured)		
Term loan	50,030	49,357
	452,066	404,580

Amount denominated in foreign currency	'000	'000
Short term trade financing (US dollars)	7,427	5,871
Term loan (Singapore dollars)	16,200	16,200

During the 6 months ended 30 June 2021, the Group increased its total borrowings by approximately 11.7% from RM404.6 million as at 31 December 2020 to RM452.1 million as at 30 June 2021 due to drawdown of short term borrowings for working capital requirements. The gearing ratio of the Group remains at 1.0 as at 30 June 2021 and 31 December 2020. 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 2021 for the Group was 2.6% (2020: 2.8%) per annum. Revolving credit as at 30 June 2021 bears interest rate of 4.1% (2020: 4.1%) per annum.

Term loan of the Group denominated in Singapore dollar (SGD) was hedged to Ringgit Malaysia (RM) at an average exchange rate of RM/SGD 3.1448. The term loan bears a fixed interest rate of 3.5% 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 2020.

The outstanding forward tin contracts and forward foreign currency contracts as at 30 June 2021 are as follows:

Derivative Financial Instruments	Contract Value RM'000	Fair Value RM'000	Fair Value – Financial Assets/(Liabilities) RM'000
At 30 June 2021			
Forward Tin Contracts			
- Less than 1 year	24,420	25,273	(853)
Forward Currency Contracts			
- Less than 1 year	129,257	130,527	(1,270)
- 1 year to 3 years	50,946	50,836	(110)
At 31 December 2020			
Forward Tin Contracts			
- Less than 1 year	33,171	36,693	(1,075)
Forward Currency Contracts			
- Less than 1 year	59,747	59,122	625
- 1 year to 3 years	50,946	50,415	(531)

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

B8. Material Litigation

There was no material litigation as at 31 July 2021, 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.

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 30.06.2021 RM'000	Immediate Preceding Quarter 31.03.2021 RM'000	Changes %
Revenue	327,116	275,907	19%
Operating Profit	7,109	32,789	(78%)
Profit Before Interest and Tax	8,567	33,767	(75%)
Profit Before Tax	4,053	30,227	(87%)
Profit After Tax	2,913	22,105	(87%)
Profit Attributable to Owners of the Company	2,929	22,121	(87%)

2Q 2021 vs. 1Q 2021 (QoQ)

The Group recorded revenue of RM 327.1 million in 2Q 2021 as compared with RM 275.9 million in 1Q 2021, while the Group's profit before tax in 2Q 2021 was RM 4.1 million as compared with RM 30.2 million in 1Q 2021. Despite higher revenue brought about by the increase in average tin prices from RM100,115 (1Q 2021) to RM122,949 (2Q 2021) per metric tonne, the lower Group performance in 2Q 2021 was mainly due to the interruptions of the Group's smelting and mining operations in the month of June 2021, following the Full Movement Control Order ("FMCO") 3.0 implemented by the Malaysian Government to fight the Covid-19 pandemic, while the Group continued to incur fixed operating costs.

The tin smelting segment recorded a loss before tax of RM 17.2 million in 2Q 2021 as compared with a profit before tax of RM 14.6 million in 1Q 2021. This was mainly due to the smelting operation being interrupted during FMCO 3.0 and the absence of a reversal of inventories written down of RM24.0 million that was recorded in 1Q 2021. The inefficiency of aged equipment at the Butterworth facility has also affected the performance of MSC with lower furnace days and lower recovery of tin. Following the interruptions brought about by the FMCO 3.0, the Group has issued a notice of force majeure to its customers as the disruption in smelting operation has affected the Group's scheduled delivery of tin metal.

The tin mining segment recorded a profit before tax of RM22.4 million in 2Q 2021 as compared with RM26.3 million in 1Q 2021. Despite higher average tin prices as stated above, lower profit before tax in 2Q 2021 was mainly due to interruption of mining operation in the month of June 2021, following the FMCO 3.0.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM 1.5 million in 2Q 2021 as compared with RM 1.0 million in 1Q 2021.

**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	
	30.06.2021 RM'000	30.06.2020 RM'000		30.06.2021 RM'000	30.06.2020 RM'000	
Revenue	603,023	349,959	72%	327,116	144,645	> 100%
Operating Profit/(Loss)	39,898	(5,556)	> 100%	7,109	6,305	13%
Profit/(Loss) Before Interest and Tax	42,334	(5,911)	> 100%	8,567	6,277	36%
Profit/(Loss) Before Tax	34,280	(13,617)	> 100%	4,053	2,152	88%
Profit/(Loss) After Tax	25,018	(12,296)	> 100%	2,913	894	> 100%
Profit/(Loss) Attributable to Owners of the Company	25,050	(12,294)	> 100%	2,929	894	> 100%

1H 2021 vs. 1H 2020 (YoY)

The Group's operations for 1H 2021 and the preceding year's 1H 2020 were affected by the relevant movement controls implemented by the Malaysian Government, namely FMCO 3.0 in 1H 2021 and MCO 1.0 in 1H 2020 respectively.

Group revenue was RM603.0 million in the first 6 months of the current financial year (1H 2021) as compared with RM350.0 million in 1H 2020, while the Group recorded a profit before tax of RM34.3 million in 1H 2021 as compared with a loss before tax of RM13.6 million in 1H 2020. This was mainly due to higher average tin prices for 1H 2021 of RM111,450 as compared with 1H 2020 of RM67,696 per metric tonne and higher sales quantity of refined tin in 1H 2021.

The tin smelting segment recorded a loss before tax of RM2.6 million in 1H 2021 as compared with a loss before tax of RM24.5 million in 1H 2020. Lower loss was mainly due to reversal of inventories written down of RM24.0 million in 1H 2021 (1H 2020: inventories written down to net realisable value of RM14.0 million).

The tin mining segment recorded a profit before tax of RM48.6 million in 1H 2021 as compared with RM9.3 million in 1H 2020. This was mainly due to higher average tin prices as stated above and higher tin production quantity in 1H 2021.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM2.4 million in 1H 2021 as compared with a net share of loss of RM0.4 million in 1H 2020.



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

B10. Review of Performance (cont'd)

2Q 2021 vs. 2Q 2020 (YoY)

Group revenue was RM327.1 million in 2Q 2021 as compared with RM144.6 million in 2Q 2020, while the Group recorded a profit before tax of RM4.1 million in 2Q 2021 as compared with RM2.2 million in 2Q 2020. This was mainly due to higher average tin prices for 2Q 2021 of RM122,949 as compared with 2Q 2020 of RM67,219 per metric tonne and higher sales quantity of refined tin in 2Q 2021.

The tin smelting segment recorded a loss before tax of RM17.2 million in 2Q 2021 as compared with a loss before tax of RM0.2 million in 2Q 2020. The loss in 2Q 2021 was mainly due to the interruption of operation in the month of June 2021 due to the enforcement of the FMCO 3.0 implemented by the Malaysian Government to fight the Covid-19 pandemic, while the smelting operation continued to incur fixed operating costs. The inefficiency of aged equipment at the Butterworth facility has also affected the performance of MSC with lower furnace days and lower recovery of tin.

Despite FMCO 3.0, the tin mining segment recorded a profit before tax of RM22.4 million in 2Q 2021 as compared with RM3.0 million in 2Q 2020. This was mainly due to higher average tin prices as stated above and higher tin production quantity in 2Q 2021.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM1.5 million in 2Q 2021 as compared with a net share of loss of RM0.03 million in 2Q 2020.

B11. Prospects

Tin prices continue to trend upwards, lifted by continued demand for tin solder in consumer electronics, and supply disruptions due to lockdowns in tin producing countries around the world (Malaysia included), voluntary production cuts in Brazil and Indonesia, and political turmoil in Myanmar. The outlook for tin demand is promising from its continued use in semiconductors, electronics, home appliances, photovoltaics, automotive, and lithium-ion batteries.

Covid-19 pandemic remains a threat despite availability of vaccines worldwide. Uncertainties persist about the future course of the pandemic and its further economic and social consequences arising thereafter. In response to the COVID-19 pandemic, the Group has implemented various precautionary measures at its factories and offices to minimise the risk of COVID-19 infections and to ensure compliance with the standard operating procedures imposed by the Government. We are hopeful that the Government's intensified vaccination programme will curtail the spread of COVID-19 infections thus giving the economy greater confidence for recovery in the near term.

The Group remains cautious, and will continue to focus on its operational efficiencies and improve on all areas of operations, technology, manpower and logistics. The operation in the Pulau Indah plant, using the newer and more efficient technology and a more productive work force, is currently in the testing stage and it is expected to be fully commissioned by late 2021/early 2022. With the utilisation of the ISASMELT furnace, we will reduce operational and manpower costs, while improving our carbon footprint. Once the move is completed, we can expect higher operational efficiency.

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

B11. Prospects (cont'd)

For our tin mining segment, we have undertaken efforts to increase daily mining output and improve our overall mining productivity. The Group is also exploring potential joint ventures to expand its mining activities.

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

	2 nd Quarter ended 30.06.2021	2 nd Quarter ended 30.06.2020	6 months ended 30.06.2021	6 months ended 30.06.2020
Profit/(Loss) net of tax attributable to owners of the Company (RM'000)	2,929	894	25,050	(12,294)
Weighted average number of ordinary shares in issue ('000)	400,000	400,000	400,000	400,000
Basic and diluted earnings/(loss) per share (sen)	0.7	0.2	6.3	(3.1)

B13. Dividend Payable

	30.06.2021
First and final single-tier dividend:	
For financial year ended	31 December 2020
Dividend payable	RM4,000,000
Dividend per share	1.0 sen
Approved and declared on	18 June 2021
Entitlement to dividends based on record of Depositors as at	5 July 2021
Date payable	23 July 2021

Authorised for Issue

The Interim results was authorised for issue by the Board in accordance with a resolution of the Directors on 6 August 2021.