



MALAYSIA SMELTING CORPORATION BERHAD

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

12 November 2021



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

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

		As at 30.09.2021 Unaudited RM'000	As at 31.12.2020 Audited RM'000
Assets	Note		
Non-current assets			
Property, plant and equipment		135,177	137,912
Right-of-use assets		5,365	6,918
Land held for development		78,654	78,654
Intangible assets		3,051	3,165
Investments in associates and joint ventures		29,483	25,999
Investment securities		50,081	23,359
Other non-current assets		12,044	12,167
Deferred tax assets		12,002	9,085
		325,857	297,259
Current assets			
Inventories		742,206	604,131
Trade receivables	B5	23,454	25,576
Other receivables		5,366	1,148
Trade prepayments		15	10,255
Other prepayments		1,709	1,056
Tax recoverable		17,539	17,588
Derivative financial instruments		-	625
Cash, bank balances and deposits		88,021	36,846
		878,310	697,225
Total assets		1,204,167	994,484
Equity and liabilities			
Current liabilities			
Provisions		13,798	13,798
Borrowings	B6	384,684	355,223
Trade and other payables		185,195	133,127
Lease liabilities		124	1,621
Current tax payable		15,397	607
Derivative financial instruments		-	1,075
		599,198	505,451
Net current assets		279,112	191,774
Non-current liabilities			
Provisions		39,981	39,128
Deferred tax liabilities		2,554	2,554
Borrowings	B6	49,841	49,357
Lease liabilities		4,266	4,187
Derivative financial instruments		318	531
		96,960	95,757
Total liabilities		696,158	601,208
Net assets		508,009	393,276
Equity attributable to owners of the Company			
Share capital		238,000	200,000
Other reserves		48,630	21,832
Retained earnings		221,658	171,669
		508,288	393,501
Non-controlling interest		(279)	(225)
Total Equity		508,009	393,276
Total equity and liabilities		1,204,167	994,484
Net assets per share attributable to owners of the Company (RM)		1.21	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 SEPTEMBER 2021**

	Note	3 rd Quarter 3 months ended		Year to Date 9 months ended	
		30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
Revenue	A8	218,480	230,826	821,503	580,785
Operating profit		41,260	20,946	81,158	15,390
Finance costs		(3,363)	(3,844)	(11,417)	(11,550)
Share of results of associates and joint ventures		969	240	3,405	(115)
Profit before tax	B2	38,866	17,342	73,146	3,725
Income tax expense	B3	(9,949)	(4,804)	(19,211)	(3,483)
Profit net of tax		28,917	12,538	53,935	242
Attributable to:					
Owners of the Company		28,939	12,538	53,989	244
Non-controlling interest		(22)	-	(54)	(2)
		28,917	12,538	53,935	242
Earnings per share attributable to owners of the Company (sen):					
Basic and diluted	B12	7.0	3.1	13.1	0.1

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 SEPTEMBER 2021**

	3 rd Quarter		Year to Date	
	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	28,917	12,538	53,935	242
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")	4,702	5,262	26,722	4,150
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	-	2	(3)	(1)
Share of foreign currency translation of an associate and a joint venture	7	(201)	79	371
	7	(199)	76	370
Other comprehensive income for the period, net of tax	4,709	5,063	26,798	4,520
Total comprehensive income for the period	33,626	17,601	80,733	4,762
Total comprehensive income attributable to:				
Owners of the Company	33,648	17,601	80,787	4,764
Non-controlling interest	(22)	-	(54)	(2)
	33,626	17,601	80,733	4,762

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.



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

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

	9 months ended	
	30.09.2021	30.09.2020
	RM'000	RM'000
Operating activities		
Operating cash flows before changes in working capital	66,987	42,409
Increase in inventories	(114,075)	(79,021)
(Increase)/Decrease in trade and other receivables	(2,118)	6,573
Decrease/(Increase) in trade prepayments	10,240	(5,662)
Increase in other prepayments	(737)	(397)
Increase/(Decrease) in payables	51,036	(4,646)
Decrease in amount due to immediate holding company	(30)	(33)
Cash generated from/(used in) operations	11,303	(40,777)
Income tax paid	(7,290)	(9,189)
Interest paid	(9,412)	(10,256)
Payment for voluntary separation compensation	-	(1,548)
Net cash used in operating activities	(5,399)	(61,770)
Investing activities		
Interest received	207	704
Payment for deferred mine exploration and evaluation expenditures and mine properties	(663)	(954)
Payment for right-of-use assets	(34)	(755)
Proceeds from disposal of property, plant and equipment	-	111
Purchase of property, plant and equipment	(4,722)	(11,930)
Net cash used in investing activities	(5,212)	(12,824)
Financing activities		
Dividend paid	(4,000)	(8,000)
Drawdown of short term trade borrowings	29,194	108,040
Payment of lease liabilities	(1,418)	(5,304)
Proceeds from issuance of ordinary shares	38,000	-
Net cash generated from financing activities	61,776	94,736
Net increase in cash and cash equivalents	51,165	20,142
Effect of changes in foreign exchange rates	10	(146)
Cash and cash equivalents as at 1 January	36,846	35,738
Cash and cash equivalents as at 30 September	88,021	55,734

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 September 2021
					RM'000
Lease liabilities	5,808	(1,418)	-	-	4,390
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	355,223	29,194	-	267	384,684
Term loan	49,357	-	-	484	49,841
Total liabilities from financing activities	483,849	27,776	-	751	512,376

	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 September 2020
					RM'000
Lease liabilities	10,120	(5,304)	3,906	-	8,722
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	216,912	108,040	-	(515)	324,437
Term loan	49,259	-	-	(40)	49,219
Total liabilities from financing activities	349,752	102,736	3,906	(555)	455,839

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 September 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 September 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 September 2021 except that the Company issued 20,000,000 new ordinary shares under the private placement exercise as disclosed in Note B4.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A7. Dividend Paid

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

	30.09.2021	30.09.2020
First and final single-tier dividend:		
For financial year ended	31 December 2020	31 December 2019
Approved and declared on	18 June 2021	2 September 2020
Date paid	23 July 2021	30 September 2020
Number of ordinary shares on which dividends were paid ('000)	400,000	400,000
Dividend per share	1.0 sen	2.0 sen
Dividend paid	RM4,000,000	RM8,000,000

A8. Revenue

Disaggregation of revenue

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

	Tin Smelting RM'000	Tin Mining RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
For 3 months ended 30 September 2021					
Major products or services:					
Sale of tin	213,971	79,292	293,263	(79,292)	213,971
Smelting revenue	4,253	-	4,253	-	4,253
Sale of by-products	1,344	-	1,344	-	1,344
Others	(1,088)	-	(1,088)	-	(1,088)
	<u>218,480</u>	<u>79,292</u>	<u>297,772</u>	<u>(79,292)</u>	<u>218,480</u>
Timing of revenue recognition					
At a point in time	<u>218,480</u>	<u>79,292</u>	<u>297,772</u>	<u>(79,292)</u>	<u>218,480</u>
For 3 months ended 30 September 2020					
Major products or services:					
Sale of tin	212,648	46,165	258,813	(46,165)	212,648
Smelting revenue	13,057	-	13,057	-	13,057
Sale of by-products	4,500	-	4,500	-	4,500
Others	621	-	621	-	621
	<u>230,826</u>	<u>46,165</u>	<u>276,991</u>	<u>(46,165)</u>	<u>230,826</u>
Timing of revenue recognition					
At a point in time	<u>230,826</u>	<u>46,165</u>	<u>276,991</u>	<u>(46,165)</u>	<u>230,826</u>

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Revenue (cont'd)

	Tin Smelting RM'000	Tin Mining RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
For 9 months ended 30 September 2021					
Major products or services:					
Sale of tin	798,861	199,305	998,166	(199,305)	798,861
Smelting revenue	16,328	-	16,328	-	16,328
Sale of by-products	5,009	-	5,009	-	5,009
Others	1,305	-	1,305	-	1,305
	<u>821,503</u>	<u>199,305</u>	<u>1,020,808</u>	<u>(199,305)</u>	<u>821,503</u>
Timing of revenue recognition					
At a point in time	<u>821,503</u>	<u>199,305</u>	<u>1,020,808</u>	<u>(199,305)</u>	<u>821,503</u>
For 9 months ended 30 September 2020					
Major products or services:					
Sale of tin	540,526	109,596	650,122	(109,596)	540,526
Smelting revenue	26,942	-	26,942	-	26,942
Sale of by-products	11,342	-	11,342	-	11,342
Others	1,975	-	1,975	-	1,975
	<u>580,785</u>	<u>109,596</u>	<u>690,381</u>	<u>(109,596)</u>	<u>580,785</u>
Timing of revenue recognition					
At a point in time	<u>580,785</u>	<u>109,596</u>	<u>690,381</u>	<u>(109,596)</u>	<u>580,785</u>

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.



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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. Segmental Reporting (cont'd)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by operating segments:

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Results for 3 months ended 30 September 2021						
Revenue						
Sales to external customers	218,480	-	-	218,480	-	218,480
Inter-segment sales	-	79,292	-	79,292	(79,292)	-
Total revenue	218,480	79,292	-	297,772	(79,292)	218,480
Results						
Operating profit/(loss)	9,854	39,039	(3)	48,890	(7,630)	41,260
Finance costs	(2,891)	(331)	(141)	(3,363)	-	(3,363)
Share of results of associates and joint ventures	-	-	969	969	-	969
Profit before tax	6,963	38,708	825	46,496	(7,630)	38,866
Income tax expense	(2,102)	(9,678)	-	(11,780)	1,831	(9,949)
Profit net of tax	4,861	29,030	825	34,716	(5,799)	28,917
Results for 3 months ended 30 September 2020						
Revenue						
Sales to external customers	230,826	-	-	230,826	-	230,826
Inter-segment sales	-	46,165	-	46,165	(46,165)	-
Total revenue	230,826	46,165	-	276,991	(46,165)	230,826
Results						
Operating profit/(loss)	13,584	10,764	(9)	24,339	(3,393)	20,946
Finance costs	(2,982)	(732)	(130)	(3,844)	-	(3,844)
Share of results of associates and joint ventures	-	-	240	240	-	240
Profit before tax	10,602	10,032	101	20,735	(3,393)	17,342
Income tax (expense)/credit	(2,947)	(2,671)	-	(5,618)	814	(4,804)
Profit net of tax	7,655	7,361	101	15,117	(2,579)	12,538

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 2021						
Revenue						
Sales to external customers	821,503	-	-	821,503	-	821,503
Inter-segment sales	-	199,305	-	199,305	(199,305)	-
Total revenue	821,503	199,305	-	1,020,808	(199,305)	821,503
Results						
Operating profit/(loss)	14,250	88,342	(14)	102,578	(21,420)	81,158
Finance costs	(9,919)	(998)	(500)	(11,417)	-	(11,417)
Share of results of associates and joint ventures	-	-	3,405	3,405	-	3,405
Profit before tax	4,331	87,344	2,891	94,566	(21,420)	73,146
Income tax expense	(2,223)	(22,129)	-	(24,352)	5,141	(19,211)
Profit net of tax	2,108	65,215	2,891	70,214	(16,279)	53,935
Results for 9 months ended 30 September 2020						
Revenue						
Sales to external customers	580,785	-	-	580,785	-	580,785
Inter-segment sales	-	109,596	-	109,596	(109,596)	-
Total revenue	580,785	109,596	-	690,381	(109,596)	580,785
Results						
Operating (loss)/profit	(4,235)	20,875	(42)	16,598	(1,208)	15,390
Finance costs	(9,673)	(1,544)	(333)	(11,550)	-	(11,550)
Share of results of associates and joint ventures	-	-	(115)	(115)	-	(115)
(Loss)/Profit before tax	(13,908)	19,331	(490)	4,933	(1,208)	3,725
Income tax credit/(expense)	1,647	(5,420)	-	(3,773)	290	(3,483)
(Loss)/Profit net of tax	(12,261)	13,911	(490)	1,160	(918)	242

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. Segmental Reporting (cont'd)

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Assets and Liabilities as at 30 September 2021						
Assets						
Segment assets	1,070,096	78,490	50,089	1,198,675	(23,991)	1,174,684
Investment in associates and joint ventures	-	-	29,483	29,483	-	29,483
Total assets	1,070,096	78,490	79,572	1,228,158	(23,991)	1,204,167
Liabilities						
Segment liabilities	613,567	82,487	104	696,158	-	696,158
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

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 September 2021.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A13. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets during the current quarter and financial year-to-date ended 30 September 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 (“COA”). The hearing of the Appeal was fixed on 24 August 2020. However, the COA subsequently vacated the hearing and rescheduled the same to 16 August 2021. The hearing was been rescheduled again and proceeded on 25 August 2021. However, due to shortage of time, submissions could not be completed on 25 August 2021, and was continued on 11 October 2021. The Appeal hearing was completed on 11 October 2021 and the COA is schedule to deliver its judgement on 25 November 2021. The estimated liability is approximately RM54.6 million as at 30 September 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 High Court (“HC”) 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 HC 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 where the COA dismissed both the appeals in favour of the subsidiary with costs of RM8,000 for each appeal.

On 23 September 2021, the 1st Defendant and 2nd to 5th Defendants, via their respective solicitors, submitted their applications to the Federal Court for leave to appeal against the decision of the COA to dismiss their application to strike out the case. As of the date hereof, the Federal Court has not decided on their applications.

In respect of the Defendant that did not appeal against the decision of the HC, 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 1st Defendant and 2nd to 5th Defendants have also applied for a stay of proceedings at the High Court pending the resolution of their appeal at the COA. The HC 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 (“CBD”) to be finalized within two (2) weeks. In this regard, as at the date hereof, the CBD have been completed. 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 September 2021 are as follows:

	30.09.2021 RM’000	31.12.2020 RM’000
Approved and contracted for	8,320	9,103
Approved but not contracted for	2,417	1,120
	10,737	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 September 2021				
Assets measured at fair value:				
Land and buildings	-	-	57,848	57,848
Investment securities	50,081	-	-	50,081
Liabilities measured at fair value:				
Derivative financial instruments – non-current	-	318	-	318
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 September 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:

	3rd Quarter ended 30.09.2021 RM'000	3rd Quarter ended 30.09.2020 RM'000	9 months ended 30.09.2021 RM'000	9 months ended 30.09.2020 RM'000
After charging/(crediting):				
Depreciation and amortisation	2,755	4,490	9,934	14,396
Fair value (gain)/loss in derivative financial instruments				
- Forward tin contracts	(853)	(1,090)	(1,075)	(1,633)
- Forward currency contracts	(1,062)	531	412	1,564
Gain on disposal of property, plant and equipment	-	(110)	-	(110)
Net foreign exchange loss/(gain)	2,207	(2,315)	3,537	59
Interest income	(128)	(413)	(207)	(704)
(Reversal of inventories written down)/ Inventories written down to net realisable value	-	-	(24,000)	14,000
Other (income)/charge including investment income	(235)	1,451	(314)	(114)
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 September 2021.

B3. Income Tax (Expense)/Credit

Income tax (expense)/credit comprises the following:

	3rd Quarter ended 30.09.2021 RM'000	3rd Quarter ended 30.09.2020 RM'000	9 months ended 30.09.2021 RM'000	9 months ended 30.09.2020 RM'000
Income tax				
- Current provision	(9,669)	(2,545)	(22,129)	(5,320)
- Over provision in prior year	-	37	-	37
	(9,669)	(2,508)	(22,129)	(5,283)
Deferred tax				
- Relating to origination and reversal of temporary differences	(280)	(2,397)	2,918	1,699
- Over provision in prior year	-	101	-	101
	(280)	(2,296)	2,918	1,800
Total income tax expense	(9,949)	(4,804)	(19,211)	(3,483)

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

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

For the current financial year-to-date ended 30 September 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.

B4. Corporate Proposal

There was no corporate proposal announced but not completed as at 6 November 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 2 August 2021, 20,000,000 ordinary shares have been listed under the private placement exercise at an issue price of RM1.90 per ordinary share. The private placement raised proceeds of RM38.0 million.

The status of utilisation of proceeds as at 30 September 2021 is as follows:

Utilisation purposes	Proposed utilisation (RM'000)	Actual utilisation (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	7,194	Within 12 months
Estimated expenses in relation to the Proposed Private Placement	806	806	Immediately
Total	38,000	8,000	

B5. Trade Receivables

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

	Not past due RM'000	< 30 days RM'000	30 to 60 days RM'000	Past due 61 to 90 days RM'000	91 to 120 days RM'000	>120 days RM'000	Total RM'000
Trade receivables as at 30.09.2021	23,420	-	17	-	-	17	23,454
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 RM34,000 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 September 2021 are as follows:

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
Short Term Borrowings (unsecured)		
Short term trade financing	11,901	23,650
Bankers' acceptances / Trust receipt	342,783	301,573
Revolving credit	30,000	30,000
	384,684	355,223
Long Term Borrowings (unsecured)		
Term loan	49,841	49,357
	434,525	404,580

Amount denominated in foreign currency	'000	'000
Short term trade financing (US dollars)	2,841	5,871
Term loan (Singapore dollars)	16,200	16,200

During the 9 months ended 30 September 2021, the Group increased its total borrowings by approximately 7.4% from RM404.6 million as at 31 December 2020 to RM434.5 million as at 30 September 2021 due to drawdown of short term borrowings for working capital requirements. Despite increase in borrowings, the gearing ratio of the Group improved to 0.9 as at 30 September 2021 from 1.0 as at 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 September 2021 for the Group was 2.7% (2020: 2.8%) per annum. Revolving credit as at 30 September 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 foreign currency contracts as at 30 September 2021 are as follows:

Derivative Financial Instruments	Contract Value RM'000	Fair Value RM'000	Fair Value – Financial Assets/(Liabilities) RM'000
At 30 September 2021			
Forward Currency Contracts - 1 year to 3 years	50,946	50,628	(318)
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 6 November 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 30.09.2021 RM'000	Immediate Preceding Quarter 30.06.2021 RM'000	Changes %
Revenue	218,480	327,116	(33%)
Operating Profit	41,260	7,109	> 100%
Profit Before Interest and Tax	42,229	8,567	> 100%
Profit Before Tax	38,866	4,053	> 100%
Profit After Tax	28,917	2,913	> 100%
Profit Attributable to Owners of the Company	28,939	2,929	> 100%

3Q 2021 vs. 2Q 2021 (QoQ)

The Group recorded revenue of RM 218.5 million in 3Q 2021 as compared with RM 327.1 million in 2Q 2021, while the Group's profit before tax in 3Q 2021 was RM 38.9 million as compared with RM 4.1 million in 2Q 2021. The better Group performance in 3Q 2021 was mainly due to increase in average tin prices from RM122,949 (2Q 2021) to RM141,915 (3Q 2021) per metric tonne.

The tin smelting segment recorded a profit before tax of RM 7.0 million in 3Q 2021 as compared with a loss before tax of RM 17.2 million in 2Q 2021. This was mainly due to the gradual restart of smelting operation during Phase 2 of the National Recovery Plan ("NRP") in 3Q 2021. For 2Q 2021, the smelting operation was interrupted by the enforcement of Full Movement Control Order ("FMCO") 3.0 and the inefficiency of aged equipment at the Butterworth facility. The Group has issued notice of force majeure to its customers as the disruption in smelting operation has affected the Group's scheduled delivery of tin metal. Higher profit in 3Q 2021 was also contributed by higher average tin prices as stated above.

The tin mining segment recorded a profit before tax of RM38.7 million in 3Q 2021 as compared with RM22.4 million in 2Q 2021. This was mainly due to higher average tin prices as stated above and higher tin production quantity in 3Q 2021.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM 1.0 million in 3Q 2021 as compared with RM 1.5 million in 2Q 2021.



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

B10. Review of Performance (cont'd)

3Q 2021 vs. 3Q 2020 (YoY)

Group revenue was RM218.5 million in 3Q 2021 as compared with RM230.8 million in 3Q 2020. For 3Q 2021, refined tin production and tin concentrates production quantity were lower than previous year corresponding quarter due to the gradual restart of smelting and mining operations during Phase 2 of the NRP, resulting in lower group revenue.

The Group recorded a profit before tax of RM38.9 million in 3Q 2021 as compared with RM17.3 million in 3Q 2020. The better Group performance in 3Q 2021 was mainly due to higher average tin prices for 3Q 2021 of RM141,915 as compared with 3Q 2020 of RM73,708 per metric tonne.

The tin smelting segment recorded a profit before tax of RM7.0 million in 3Q 2021 as compared with RM10.6 million in 3Q 2020. This was mainly due to the gradual restart of smelting operation during Phase 2 of the NRP and the declaration of force majeure that resulted to lower smelting revenue and lower profit from sale of by-products in 3Q 2021.

The tin mining segment recorded a profit before tax of RM38.7 million in 3Q 2021 as compared with RM10.0 million in 3Q 2020. This was mainly due to higher average tin prices as stated above in 3Q 2021.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM1.0 million in 3Q 2021 as compared with RM0.2 million in 3Q 2020.

B11. Prospects

Tin price has recently reached a record high. The current global landscape promoting environmental and sustainability initiatives, photovoltaic installations, EVs and growth in electronics bodes well for the demand of tin. While tin demand continues to grow rapidly, the global supply may continue to struggle to keep pace, due to interrupted production downstream due to the uncertain path of the COVID-19 pandemic.

The Group has implemented various precautionary measures at its factories, offices and mining sites to minimise the risk of COVID-19 infections and to ensure compliance with the standard operating procedures imposed by the Government. The Government's initiatives and intensified vaccination programme have curtailed the spread of COVID-19 infections driving the nation towards recovery with the opening of most economic sectors recently.

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 expected to be fully commissioned by late 2021/early 2022. With the utilisation of the ISASMELT furnace, the Group expects higher operational efficiency, lower operational and manpower costs, while improving carbon footprint.

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



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

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

	3 rd Quarter ended 30.09.2021	3 rd Quarter ended 30.09.2020	9 months ended 30.09.2021	9 months ended 30.09.2020
Profit net of tax attributable to owners of the Company (RM'000)	28,939	12,538	53,989	244
Weighted average number of ordinary shares in issue ('000)	413,696	400,000	413,696	400,000
Basic and diluted earnings per share (sen)	7.0	3.1	13.1	0.1

B13. Dividend

There was no dividend declared in the current quarter and financial year-to-date ended 30 September 2021.

Authorised for Issue

The Interim results was authorised for issue by the Board in accordance with a resolution of the Directors on 12 November 2021.