

## **NOTES TO THE 1<sup>st</sup> INTERIM FINANCIAL REPORT – 31 MARCH 2014**

### **1. Basis of Preparation**

This condensed consolidated interim financial statements (Condensed Report) has been prepared in accordance with *MFRS 134: Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board (IASB).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013. 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 2013.

### **2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 except for the adoption of the following new and amended MFRSs and Interpretations:

#### **Effective for financial periods beginning on or after 1 January 2014**

Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities  
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities  
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets  
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting  
IC Interpretation 21: Levies

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

#### **Effective for financial periods beginning on or after 1 July 2014**

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions  
Annual Improvements to MFRSs 2010–2012 Cycle  
Annual Improvements to MFRSs 2011–2013 Cycle

#### **Effective date to be announced**

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)  
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)  
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as disclosed below:

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

**3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

**4. Seasonal or Cyclical Factors**

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

**5. Profit Before Tax**

The following items have been included in arriving at the profit tax:

	<b>1<sup>st</sup> Quarter ended 31.03.2014 RM'000</b>	<b>Year to date ended 31.03.2014 RM'000</b>
After charging and (crediting):		
Depreciation and amortisation	1,955	1,955
Net foreign exchange loss	3,524	3,524
Fair value gain in derivatives	(1,600)	(1,600)
Other income including investment income	(292)	(292)

**6. Exceptional Items**

There were no exceptional items affecting assets, liabilities, equity, net income or cash flow because of their nature, size or incidence for the current financial year-to-date.

**7. Changes in Estimates**

There were no changes in estimates that have had a material effect for the current financial year-to-date.

**8. Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year-to-date.

**9. Dividend Paid**

There was no dividend paid during the current quarter.

## 10. Segmental Reporting

The Company and its principal subsidiaries operate principally within the tin industry in two business segments, namely tin smelting and tin mining.

The segmental reporting for the current financial year-to-date was as follows:

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Tin Mining (Discontinued operation) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
<b>Revenue</b>						
Sales to external customers	429,097	-	-	-	-	429,097
Inter-segment sales	-	40,006	449	-	(40,455)	-
<b>Total revenue</b>	<b>429,097</b>	<b>40,006</b>	<b>449</b>	<b>-</b>	<b>(40,455)</b>	<b>429,097</b>
<b>Results</b>						
Profit/(Loss) from operations	18,470	5,431	168	(332)	341	24,078
Finance costs	(2,357)	(88)	(739)	-	-	(3,184)
Share of loss of associates and joint ventures	-	-	(25)	-	-	(25)
Profit/(Loss) before tax from continuing operations	16,113	5,343	(596)	(332)	341	20,869
Income tax expense	(3,569)	(2,259)	(71)	-	(2)	(5,901)
Profit/(Loss) from continuing operations	12,544	3,084	(667)	(332)	339	14,968
Loss from discontinued operation	-	-	-	-	-	(332)
<b>Profit net of tax</b>						<b>14,636</b>
<b>Assets</b>						
Segment assets	505,533	98,460	4,777	124,786	(1,718)	731,838
Investment in associates and joint ventures	-	-	97,482	-	-	97,482
<b>Total assets</b>	<b>505,533</b>	<b>98,460</b>	<b>102,259</b>	<b>124,786</b>	<b>(1,718)</b>	<b>829,320</b>
<b>Liabilities</b>						
Segment liabilities	456,984	27,586	1,282	141,793	(449)	627,196

### **11. 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 2013.

### **12. Subsequent Events**

There was no material event subsequent to end of the current quarter up to 1 May 2014, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report.

### **13. Changes in the Composition of the Group**

There was no change in the composition of the Group during the current financial year-to-date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations, except as disclosed in Note 18.

### **14. Changes in Contingent Liabilities and Contingent Assets**

Since 31 December 2013, there was no new development on the outstanding contingent liabilities or contingent assets as at 1 May 2014, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

### **15. Capital Commitments**

The amount of capital commitments at 31 March 2014 was as follows:

	<b>31.03.2014</b>
	<b>RM'000</b>
Approved but not contracted for	474
Contracted but not provided for	13,661
	<b>14,135</b>

## 16. Related Party Transactions

The following are significant related party transactions:

	<b>3 months ended 31.03.2014 RM'000</b>
Sales of products to an associate	10,707

The above transactions were entered in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

## 17. Income Tax Expense

Income tax expense comprises the following:

	<b>3 months ended 31.03.2014 RM'000</b>
Current taxation	
Malaysian income tax	6,142
Deferred tax	(241)
<b>Total</b>	<b>5,901</b>

The overall effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to certain non-tax deductible expenses and losses incurred by certain subsidiaries which cannot be set off against taxable profits made by other companies within the Group.

### **18. Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 1 May 2014, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, except for the following:-

- a. As at 31 December 2013, the Board considers Bemban Corporation Limited (“BCL”) group companies comprising BCL, Kajuara Mining Corporation Pty. Ltd., PT Koba Tin and PT Bangka Resources met the criteria to be classified as held for sale at that date for the following reasons:
  - The BCL Group is available for immediate sale and can be sold to a potential buyer in its current condition.
  - The Board has a plan to sell the BCL Group and has entered into preliminary negotiations with potential buyers.
  - The Board expects negotiations to be finalised and the sale to be completed within twelve months from 31 December 2013.

Accordingly, the assets and liabilities related to BCL Group have been presented in the consolidated statement of financial position of the Group as “Assets of disposal group classified as held for sale” and “Liabilities directly associated with disposal group classified as held for sale” as at 31 December 2013 and 31 March 2014, and its results are presented separately on the consolidated income statement as “Loss from discontinued operation, net of tax” for the period ended.

Statements of financial position disclosures

The major classes of assets and liabilities of BCL Group classified as held for sale and the related foreign currency translation reserves as at 31 March 2014 were as follows:

	<b>RM'000</b>
<b>Assets:</b>	
Property, plant and equipment	3,050
Other receivables – deposits for mine closure	54,590
Inventories	66,940
Other current assets	11
Cash and cash equivalents	195
Assets of disposal group classified as held for sale	<u>124,786</u>
<b>Liabilities:</b>	
Provisions	81,130
Trade and other payables	<u>60,663</u>
Liabilities directly associated with disposal group classified as held for sale	<u>141,793</u>
Net liabilities of disposal group classified as held for sale	<u>(17,007)</u>
<b>Reserve:</b>	
Foreign currency translation reserves, representing reserve of disposal group classified as held for sale	<u>(5,954)</u>

Statement of comprehensive income disclosures

The results of BCL Group for the 3 months period ended 31 March were as follow:

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	<u>-</u>	<u>26,552</u>
(Loss)/Profit from operations	(332)	6,688
Gross interest income	-	23
Gross interest expense	-	(770)
(Loss)/Profit before tax	<u>(332)</u>	<u>5,941</u>
Income tax expense	-	-
(Loss)/Profit for the period	<u>(332)</u>	<u>5,941</u>



- b. On 11 March 2014, the Company announced that its wholly owned subsidiary, Rahman Hydraulic Tin Sdn. Bhd. (“RHT”) has entered into a Share Sale Agreement and Shareholders’ Agreement for the acquisition of an 80% equity in SL Tin Sdn. Bhd. (“SL Tin”) (“the Acquisition”).

SL Tin has secured a mining lease over an area of 267.3 hectares in Sungai Lembing, Hulu Kuantan, in the state of Pahang for a period of 15 years.

Upon the completion of the Acquisition, SL Tin will become an 80% owned subsidiary of RHT. The acquisition is expected to be completed by the end of 2Q 2014.

### 19. Interest-Bearing Loans and Borrowings

Group borrowings as at 31 March 2014 comprise the following:

	<b>31.03.2014</b> <b>RM’000</b>
<b>a) Short Term Borrowings (unsecured)</b>	
Foreign currency trade finance	68,870
Bankers’ acceptances	261,937
	330,807
Current portion of long term borrowings	19,569
	350,376

	<b>31.03.2014</b> <b>RM’000</b>
<b>b) Long Term Borrowings (unsecured)</b>	
Term loan	19,528

	<b>’000</b>
<b>Amount denominated in foreign currency</b>	
Foreign currency trade finance (US dollar)	21,116
Long term borrowings (US dollar)	11,987

Foreign currency trade finance is utilized for working capital requirements involving purchases and sales of tin concentrates and tin metal denominated in US dollar.

Short term borrowings bear interest at rates ranging from 0.93% to 4.10% per annum for the Group (2013: 0.96% to 3.74% per annum).

The long term borrowings which are repayable by quarterly and semi-annual instalments bear interest at rates of between 2.56% and 3.30% per annum for the Group (2013: 2.56% and 3.30% per annum).

## **20. Derivative Financial Instruments**

As at 31 March 2014, the Group had the following outstanding derivative financial instruments:-

Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain/(Loss) – Net of Tax RM'000
i. Interest Rate Swap Contracts - 1 to 3 years	35,820	35,683	(104)
ii. Foreign Currency Forward Contracts - Less than 1 year	156,289	154,618	1,204
iii. Tin Forward Contract - Less than 1 year	25,058	25,103	(34)

The interest rate swap contract, foreign currency forward contracts and tin forward sales contracts are all entered for hedging purposes.

During the current financial year-to-date, the Group has recognised a fair value gain net of tax of RM1,209,000 in its income statement.

## **21. Changes in Material Litigation**

Since 31 December 2013, there was no material litigation against the Group as at 1 May 2014, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

## **22. Material Change in the Quarterly Results as Compared with the Preceding Quarter**

The Group recorded a profit of RM20.87 million before tax for continuing operations in 1Q 2014 compared with a profit of RM31.72 million before exceptional items in 4Q 2013 mainly due to:

- a. The Butterworth international smelting business and Rahman Hydraulic Tin recorded a lower profit of RM16.11 million (4Q 2013: RM27.24 million) and RM8.51 million (4Q 2013: RM12.23 million) before tax respectively in 1Q 2014.
- b. The associates and joint ventures recorded a net share of losses of RM0.025 million in 1Q 2014 (4Q 2013: RM3.71 million).

## **23. Review of Performance of the Company and its Principal Subsidiaries**

Group revenue increased to RM429.1 million in 1Q 2014 from RM421.0 million in 1Q 2013 for continuing operations.

The Group recorded a profit of RM20.87 million before tax for continuing operations in 1Q 2014, 3.8% higher compared with a profit of RM20.11 million before tax for continuing operations in 1Q 2013.

The Butterworth international tin smelting business recorded a profit of RM16.11 million before tax in 1Q 2014 (1Q 2013: RM14.02 million). The higher profit in 1Q 2014 was mainly due to higher average tin prices and higher sales quantity.

Rahman Hydraulic Tin mining operations recorded a profit of RM8.51 million before tax in 1Q 2014 (1Q 2013: RM9.49 million) mainly due to lower interest income and higher cost of production.

The associates and joint ventures recorded a net share of losses of RM0.025 million in 1Q 2014 (1Q 2013: RM3.47 million).

#### **24. Current Year Prospects**

Following the non-renewal of the CoW of PT Koba Tin, the Group has ceased all its mining operations in Indonesia. The Board expects to complete the disposal of the Group's entire interest in PT Koba Tin before the end of 2014.

Barring unforeseen circumstances, the Butterworth international smelting business and Rahman Hydraulic Tin mining operations are expected to perform satisfactorily for the financial year ending 31 December 2014.

#### **25. Earnings Per Share Attributable to Owners of the Company**

	<b>3 months ended 31.03.2014</b>	<b>3 months ended 31.03.2013</b>
Profit from continuing operations (RM'000)	14,968	12,821
(Loss)/Profit from discontinued operation (RM'000)	(252)	2,229
Net profit attributable to owners of the Company (RM'000)	<u>14,716</u>	<u>15,050</u>
Weighted average number of ordinary shares in issue ('000)	<u>100,000</u>	<u>100,000</u>
<b><u>Basic/Diluted:</u></b>		
- from continuing operations (sen)	15.0	12.8
- from discontinued operation (sen)	(0.3)	2.3
Earnings per share (sen)	<u>14.7</u>	<u>15.1</u>

**26. Breakdown of Retained Earnings into Realised and Unrealised**

	<b>Current Quarter Ended 31.03.2014 RM'0000</b>	<b>Preceding Quarter Ended 31.12.2013 RM'0000</b>
Total (accumulated losses)/ retained earnings of the Company and its subsidiaries:		
- Realised	7,543	(12,348)
- Unrealised	3,268	(3,247)
	10,811	(15,595)
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(6,663)	(6,925)
- Unrealised	298	298
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	22,457	22,742
- Unrealised	(11,544)	(11,541)
	15,359	(11,021)
Add: Consolidation adjustments	45,459	57,123
Retained earnings as per financial statements	60,818	46,102

**27. Dividend Payable**

No dividend is declared for the quarter ended 31 March 2014.

By Order of the Board  
Sharifah Faridah Abd Rasheed  
Secretary

Kuala Lumpur  
7 May 2014