NOTES TO THE 3rd INTERIM FINANCIAL REPORT – 30 SEPTEMBER 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 for financial periods beginning on or after 1 January 2016

MFRS 14: Regulatory Deferral Accounts
Amendments to MFRS 11: Joint Arrangements – Accounting for Acquisition of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Effective for financial periods beginning on or after 1 January 2017

MFRS 15: Revenue from contracts with customers

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: Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)
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.

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 Exceptional Items

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

	3rd Quarter ended 30.09.2014 RM'000	Year to date ended 30.09.2014 RM'000
After charging and (crediting):		
Depreciation and amortisation		
- Continuing	2,058	5,930
- Discontinued	-	84
Impairment of receivables	-	5,318
Impairment of investment securities	93	93
Write down of carrying value of inventories	5,800	5,800
Loss on disposal of disposal group classified as held for sale		
- Discontinued	-	25,343
Loss on disposal of a subsidiary		
- Discontinued	-	3,504
Net foreign exchange loss		
- Continuing	539	5,427
- Discontinued	-	825
Fair value loss/(gain) in derivatives	1,436	(263)
Other income including investment income	(261)	(2,461)
Provision for financial guarantee	-	9,635
Gain on disposal of property, plant and equipment	(3)	(3)

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.

	3rd Quarter ended 30.09.2014 RM'000	Year to date ended 30.09.2014 RM'000	3rd Quarter ended 30.09.2013 RM'000	Year to date ended 30.09.2013 RM'000
Impairment for investment in KM Resources, Inc. ("KMR")	-	-	22,000	22,000
Impairment for investment in Asian Mineral Resources Limited ("AMR")	-	-	-	1,916
Impairment for investment in Alphamin Resources Corp. ("Alphamin")	-	-	-	1,865
Other investment	-	-	-	(38)
Total	-	-	22,000	25,743

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 operations) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue						
Sales to external customers	1,389,735	-	-	-	-	1,389,735
Inter-segment sales	-	116,875	1,347	-	(118,222)	-
Total revenue	1,389,735	116,875	1,347	-	(118,222)	1,389,735
Results						
Profit/(Loss) from operations	38,538	24,040	(14,572)*	(32,630)	33,261	48,637
Finance costs	(8,514)	(263)	(1,880)	-	-	(10,657)
Share of results of associates and joint ventures	-	-	1,369	-	-	1,369
Profit/(Loss) before tax from continuing operations	30,024	23,777	(15,083)	(32,630)	33,261	39,349
Income tax expense	(9,517)	(6,315)	(196)	-	(158)	(16,186)
Profit/(Loss) from continuing operations	20,507	17,462	(15,279)	(32,630)	33,103	23,163
Loss from discontinued operations						(32,630)
Loss net of tax						**(9,467)**

*Includes the full provision for financial guarantee of USD3.0 million (RM9.64 million) and impairment of receivables of RM5.28 million.

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Tin Mining (Discontinued operations) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Assets						
Segment assets	593,683	106,741	3,074	-	(1,250)	702,248
Investment in associates and joint ventures	-	-	70,707	-	-	70,707
Total assets	**593,683**	**106,741**	**73,781**	**-**	**(1,250)**	**772,955**
Liabilities						
Segment liabilities	**526,764**	**21,140**	**545**	**-**	**(449)**	**548,000**

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 4 November 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 for the following:

a. Disposal of disposal group classified as held for sale and discontinued operation

On 1 June 2014, the Company entered into a sale and purchase agreement with Berkeley Kensington Group Limited to dispose of its entire interest in Bemban Corporation Ltd. ("BCL") Group ((comprising BCL, Kajuara Mining Corporation Pty. Ltd. ("KMC"), PT Koba Tin ("Koba Tin") and PT Bangka Resources ("PT Bangka")) for a total consideration of USD1.00 million (RM3.24 million based on RM/USD exchange rate of RM3.236).

The results of BCL Group were as follows:

	6 months ended 30.06.2014 RM'000	**9 months ended 30.09.2013 RM'000**
Revenue	-	26,552
Loss from operations	(445)	(8,986)
Gross interest income	-	23
Gross interest expense	-	(705)
Loss on disposal of BCL Group	(25,343)	-
Loss before tax	(25,788)	(9,668)
Income tax expense	-	-
Loss for the period from discontinued operation	(25,788)	(9,668)

The disposal had the following effects on the financial position of the Group:

	RM'000
Carrying amount of net liabilities	16,865
De-recognition of non-controlling interests	(41,286)
Foreign currency translation reserves reclassified to profit or loss	(4,158)
	(28,579)
Total disposal proceeds	3,236
Loss on disposal of BCL Group	(25,343)

Sale consideration:

	RM'000
Consideration settled in cash	1,309
Receivable	1,927
Total consideration	3,236

Cash inflow on sale:

	RM'000
Consideration settled in cash	1,309
Less: Cash and cash equivalents of BCL Group disposed	(751)
Net cash inflow on disposal	558

b. Disposal of a subsidiary classified as discontinued operation

On 1 June 2014, the Company also entered into a sale and purchase agreement with PT Bangka Timah Utama and Mr Eddy Dayanto to dispose of its entire interest in PT MSC Indonesia ("PT MSCI") for a consideration of USD1.00.

The results of PT MSCI were as follows:

	6 months ended 30.06.2014 RM'000	**9 months ended 30.09.2013 RM'000**
Revenue	-	-
Loss from operations	(3,338)	(967)
Loss on disposal of PT MSCI	(3,504)	-
Loss before tax	(6,842)	(967)
Income tax expense	-	-
Loss for the period from discontinued operation	(6,842)	(967)

The disposal had the following effects on the financial position of the Group:

	RM'000
Carrying amount of net liabilities	201
Foreign currency translation reserves reclassified to profit or loss	(3,705)
Revaluation reserves transferred to retained earnings	193
	(3,311)
Total disposal proceeds (USD1.00)	-
Loss on disposal of PT MSCI	(3,311)
Recognised in profit or loss	(3,504)
Revaluation reserves transferred to retained earnings	193
	(3,311)

Cash outflow on sale:

	RM'000
Consideration settled in cash	-
Less: Cash and cash equivalents of PT MSCI disposed	(22)
Net cash outflow on disposal	(22)

The presentation of the consolidated income statement and explanatory information for the 2013 comparative numbers have been changed to present the performance of continuing operations and discontinued operations separately.

Loss from discontinued operations comprises the following:

	6 months ended 30.06.2014 RM'000	**9 months ended 30.09.2013 RM'000**
Results of BCL Group	25,788	9,668
Results of PT MSCI	6,842	967
	32,630	10,635

Following the above disposals, BCL, KMC, Koba Tin, PT Bangka and PT MSCI ceased to be subsidiaries of the Group. All the assets and liabilities of the BCL Group and PT MSCI were de-consolidated from the Consolidated Financial Statements of the Group from the date of disposal.

c. Acquisition of a subsidiary

On 11 March 2014, the Company's wholly owned subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT") entered into a Share Sale Agreement and Shareholders' Agreement for the acquisition of an 80% equity interest in SL Tin Sdn. Bhd. ("SL Tin") for a purchase consideration of RM500,000.

After the acquisition, SL Tin became an 80% owned subsidiary of RHT.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of SL Tin as at the date of acquisition were:

	RM'000
Assets	
Property, plant and equipment	37
Intangible assets – mining rights	1,436
Other receivables	75
Cash and cash equivalents	22
	1,570
Liabilities	
Other payables	(76)
Net assets acquired	1,494
Less: Non-controlling interests	(299)
Total cost of acquisition	1,195
Less: Portion discharged by advances to SL Tin prior to acquisition	(695)
Purchase consideration	500

Cash outflow on acquisition:

	RM'000
Net cash acquired	22
Cash paid	(500)
Net cash outflow	(478)

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 4 November 2014, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, other than the provision for financial guarantee as disclosed in Note 5.

15. Capital Commitments

The amount of capital commitments at 30 September 2014 was as follows:

	30.09.2014 RM'000
Contracted but not provided for	15,750

16. Related Party Transactions

The following were significant related party transactions:

	9 months ended 30.09.2014
	RM'000
Sales of products to an associate	39,200

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:

	9 months ended 30.09.2014 RM'000
Current taxation	
Malaysian income tax	18,253
Under provision in prior years	1,251
Deferred tax	(3,318)
Total	16,186

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.

18. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 4 November 2014, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report.

19. Interest-Bearing Loans and Borrowings / Trade and Other Receivables

Group borrowings as at 30 September 2014 comprise the following:

	30.09.2014 RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	58,708
Bankers' acceptances	344,399
	403,107
Current portion of long term borrowings	19,623
	422,730

	30.09.2014 RM'000
b) Long Term Borrowings (unsecured)	
Term loan	9,770

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	17,951
Long term borrowings (US dollar)	8,987

Foreign currency trade finance is utilized for working capital requirements involving purchases and sales of tin concentrates and tin metal denominated in US dollar. The increase in borrowings as well as trade and other receivables at 30.09.2014 were mainly due to higher advances made for purchases of inventories.

Short term borrowings bear interest at rates ranging from 0.93% to 4.45% per annum for the Group (2013: 0.96% to 3.74% per annum).

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

20. Derivative Financial Instruments

As at 30 September 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 Contract - 1 to 3 years	26,865	26,791	(56)
ii. Foreign Currency Forward Contracts - Less than 1 year	234,716	238,614	(2,540)
iii. Forward Tin Sales Contracts - Less than 1year	6,817	5,975	640

The interest rate swap contract, foreign currency forward contracts and forward tin 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 RM194,000 in its income statement.

The risks and policies relating to the management of derivatives financial instruments are similar to those disclosed in the annual financial statements for the year ended 31 December 2013.

21. Changes in Material Litigation

Since 31 December 2013, there was no material litigation against the Group as at 4 November 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 higher profit before tax of RM9.26 million from continuing operations in 3Q 2014 compared with a profit before tax of RM6.05 million from continuing operations in 2Q 2014. This was mainly due to provision for financial guarantee and impairment of receivables made in 2Q 2014 consequent to the disposals of the Group's interests in its Indonesian subsidiaries.

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

Current Quarter 3Q 2014

Group revenue increased to RM528.93 million in 3Q 2014 compared with RM420.33 million in 3Q 2013 from continuing operations mainly due to higher sales quantity of refined tin and higher average tin prices in 3Q 2014.

The Group recorded a higher profit of RM9.26 million before exceptional items in 3Q 2014 compared with a profit of RM8.56 million before exceptional items in 3Q 2013 from continuing operations.

The Butterworth international smelting business recorded a lower profit before tax of RM3.60 million in 3Q 2014 (3Q 2013: RM14.42 million) mainly due to unfavourable valuation adjustment on tin inventory by RM5.8 million arising from lower closing tin price at end of 3Q 2014 and unrealised foreign currency translation and fair value loss on derivative financial instruments recorded in 3Q 2014.

Rahman Hydraulic Tin mining operations recorded a lower profit before tax of RM6.46 million in 3Q 2014 (3Q 2013: RM7.20 million) mainly due to higher mining costs.

The associates and joint ventures recorded a lower net share of losses of RM0.45 million in 3Q 2014 (3Q 2013: RM12.67 million). The loss in 3Q 2013 was mainly due to provision for mine closure/exit costs for the Rapu Rapu mine in the Philippines made in 3Q 2013.

Current Financial Year-to-date

Group revenue increased to RM1.39 billion in the 9 months (9M) of the current financial period compared with RM1.25 billion in the previous corresponding period from continuing operations mainly due to higher sales quantity of refined tin and higher average tin prices.

The Group recorded a lower profit of RM39.35 million before exceptional items in 9M 2014 compared with a profit of RM42.47 million before exceptional items in 9M 2013 mainly due to higher production costs and unfavourable valuation adjustment on tin inventory.

The Butterworth international smelting business recorded a lower profit before tax of RM30.0 million in 9M 2014 (9M 2013: RM37.28 million) mainly due to unfavourable valuation adjustment on tin inventory by RM5.8 million arising from lower closing tin price at end of 3Q 2014.

Rahman Hydraulic Tin mining operations recorded a higher profit before tax of RM23.76 million in 9M 2014 (9M 2013: RM22.19 million) mainly due to higher average tin prices.

The associates and joint ventures recorded a net share of profit of RM1.37 million in 9M 2014 (9M 2013: a net share of losses of RM16.01). The loss in 9M 2013 was mainly due to provision for mine closure/exit costs for the Rapu Rapu mine in the Philippines made in 9M 2013.

The loss from discontinued operations, net of tax of RM32.63 million mainly comprised non-cash adjustments due to the de-consolidation of the assets and liabilities of the Group's Indonesian subsidiaries following the disposals of the Group's interests in these subsidiaries as explained in Note 13. These non-cash adjustments included a de-recognition of negative non-controlling interests totalling RM41.28 million and reclassification of foreign currency translation reserves amounting to RM7.86 million.

24. Current Year Prospects

Market conditions and tin price are challenges currently facing the tin industry.

Tin prices have declined 15% since the start of the year. The Company however believes further downside is limited.

Despite challenging market conditions and global uncertainties, and barring any unforeseen circumstances, the Butterworth international smelting business and Rahman Hydraulic tin mine are expected to continue to perform satisfactorily.

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

	9 months ended 30.09.2014	**9 months ended 30.09.2013**
Profit/(Loss) net of tax attributable to owners of the Company:		
- Profit/(Loss) from continuing operations (RM'000)	23,169	(1,567)
- Loss from discontinued operations (RM'000)	(32,523)	(10,589)
Total (RM'000)	(9,354)	(12,156)
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic/Diluted:		
- from continuing operations (sen)	23.1	(1.6)
- from discontinued operations (sen)	(32.5)	(10.6)
Earnings/(Loss) per share (sen)	(9.4)	(12.2)

26. Breakdown of Retained Earnings into Realised and Unrealised

	Current Quarter Ended 30.09.2014 RM'0000	**Preceding Quarter Ended 30.06.2014 RM'0000**
Total retained earnings of the Company and its subsidiaries:		
- Realised	11,896	5,584
- Unrealised	8,319	9,576
	20,215	15,160
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(6,451)	(6,457)
- Unrealised	298	298
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	23,156	23,610
- Unrealised	(11,544)	(11,544)
	25,674	21,067
Add: Consolidation adjustments	10,783	10,669
Retained earnings as per financial statements	36,457	31,736

27. Dividend Payable

No dividend is declared for the quarter ended 30 September 2014.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
10 November 2014