

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. 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 2015. 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 2015.

A2. Changes in Accounting Policies

i) New Standards, Annual Improvements and Amendments adopted by the Group

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the adoption of the pronouncements that became effective from 1 January 2016.

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

i) **New Standards, Annual Improvements and Amendments adopted by the Group (cont'd)**

The adoption of the above pronouncements did not have material impact on the financial statements of the Group, except as disclosed below:

Amendments to MFRS 101: Disclosure Initiative

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments affect presentation and disclosure in financial statements only and have no impact on the Group's financial position or performance.

ii) **Early adoption of Standard effective for the financial periods beginning on or after 1 January 2018**

MFRS 9: Financial Instruments

The Group has elected to early adopt MFRS 9 *Financial Instruments* which is applied retrospectively from 1 January 2016, but comparative information is not compulsory. The adoption of MFRS 9 *Financial Instruments* resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the recognition, classification, measurement and de-recognition of financial instruments and impairment of financial assets were amended to comply with MFRS 9 *Financial Instruments*. The Group has chosen to apply the hedge accounting requirements of MFRS 139 as permitted by MASB.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

ii) **Early adoption of Standard effective for the financial periods beginning on or after 1 January 2018 (cont'd)**

MFRS 9: Financial Instruments (cont'd)

At the date of early adoption of MFRS 9, the receivables of the Group were reviewed and an impairment of RM10.90 million was recorded to the opening retained earnings at 1 January 2016. The amount was adjusted by RM5.54 million to RM5.35 million from re-assessment on the effect of adoption of MFRS 9 in 4Q 2016. The details of the net amount now adjusted to opening retained earnings at 1 January 2016 is shown below:

	Before adjustment RM'000	After adjustment RM'000
Impairment for receivables	(10,898)	(5,354)
Reclassification of impairment for available-for-sale equity instruments	4,203	4,203
Net amount adjusted	<u>(6,695)</u>	<u>(1,151)</u>

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A2. Changes in Accounting Policies (cont'd)

iii) Standards 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>
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRS Standards 2014-2016 Cycle	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017
(iii) Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018*
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	See MFRS 4 paragraphs 46 and 48
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018*
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018*
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

*Earlier application is permitted

The adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except as disclosed below:

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

The amendments affect presentation and disclosure in financial statements only and have no impact on the Group's financial position or performance.

A2. Changes in Accounting Policies (cont'd)

iii) Standards issued but not yet effective (cont'd)

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to MFRS 112 clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The amendment has no material impact on the Group's financial position or performance.

The Group is in the process of assessing the impact of Annual Improvements to MFRS Standards 2014-2016 Cycle, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 140, IC Interpretation 22, MFRS 15 and MFRS 16.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A3. Seasonal or Cyclical Factors

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

A4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flow because of their nature, size or incidence for the current financial year except as disclosed.

A5. Changes in Estimates

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

A6. 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.

A7. Dividend Paid

There was no dividend paid during the current quarter.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. 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 and the comparative year were as follows:

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
12 months ended 31 December 2016					
Revenue					
Sales to external customers	1,477,941	-	-	-	1,477,941
Inter-segment sales	8	174,366	1,796	(176,170)	-
Total revenue	1,477,949	174,366	1,796	(176,170)	1,477,941
Results					
Profit from operations	33,899	41,007	(2,926)	(6,280)	65,700
Finance costs	(11,009)	(720)	(921)	-	(12,650)
Share of results of associates and joint ventures	-	-	(89)	-	(89)
Profit/(Loss) before tax	22,890	40,287	(3,936)	(6,280)	52,961
Income tax expense	(5,504)	(11,286)	(226)	1,505	(15,511)
Profit/(Loss) net of tax	17,386	29,001	(4,162)	(4,775)	37,450
12 months ended 31 December 2015					
Revenue					
Sales to external customers	1,464,855	-	-	-	1,464,855
Inter-segment sales	4	114,482	1,796	(116,282)	-
Total revenue	1,464,859	114,482	1,796	(116,282)	1,464,855
Results					
Profit from operations	5,550	14,531	(5,470)	914	15,525
Finance costs	(11,031)	(362)	(2,577)	-	(13,970)
Share of results of associates and joint ventures	-	-	1,683	-	1,683
(Loss)/Profit before tax	(5,481)	14,169	(6,364)	914	3,238
Income tax expense	(2,917)	(4,620)	(272)	(229)	(8,038)
(Loss)/Profit net of tax	(8,398)	9,549	(6,636)	685	(4,800)

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A8. Segmental Reporting (cont'd)

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2016					
Assets					
Segment assets	671,202	68,936	23,642	(5,381)	758,399
Investment in associates and joint ventures	-	-	37,336	-	37,336
Total assets	671,202	68,936	60,978	(5,381)	795,735
Liabilities					
Segment liabilities	466,304	46,899	480	(449)	513,234
At 31 December 2015					
Assets					
Segment assets	608,464	111,985	2,690	(606)	722,533
Investment in associates and joint ventures	-	-	84,469	-	84,469
Total assets	608,464	111,985	87,159	(606)	807,002
Liabilities					
Segment liabilities	534,178	31,410	609	(449)	565,748

A9. Property, Plant and Equipment

The land and buildings have been revalued in December 2016, giving a net revaluation surplus of RM2.9 million.

A10. Subsequent Events

There was no material event subsequent to end of the current quarter.

A11. Changes in the Composition of the Group

There was no change in the composition of the Group during the current financial year including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations, except that on 14 June 2016, the Company acquired 100% equity interest in M Smelt (C) Sdn. Bhd. by way of an acquisition of two ordinary shares of RM1.00 each for a total consideration of RM2.00.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A12. Changes in Contingent Liabilities and Contingent Assets

Since 31 December 2015, there were no changes in contingent liabilities or contingent assets as at 21 February 2017, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

A13. Capital Commitments

The amount of capital commitments at 31 December 2016 was as follows:

	31.12.2016 RM'000
Approved and contracted for	287
Approved but not contracted for	29,098
	29,385

A14. Related Party Transactions

The following were significant related party transactions:

	12 months ended 31.12.2016 RM'000
Sales of products to an associate	50,408

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.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A15. Fair Value of Assets and Liabilities

As at 31 December 2016, the Group's quoted equity instruments fair value of RM23,423,000 (31 December 2015: RM12,930,000) is at Level 1 which is determined directly by reference to the published market closing price at the reporting date. The Group also held forward currency contracts carried at fair value of approximately RM3,523,000 (31 December 2015: RM10,064,000) based on Level 2: significant observable inputs for identical assets or liabilities. There was 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 resulted in a different classification of that assets/liabilities during the quarter.

The Group held freehold land and buildings amounting to RM83,755,000 (31 December 2015: RM48,967,000) carried at Level 3: significant unobservable inputs.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

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 year ended 31 December 2015 was not qualified.

B2. Profit/(Loss) Before Tax

The following items have been included in arriving at the profit/(loss) before tax:

	4th Quarter ended 31.12.2016 RM'000	12 months ended 31.12.2016 RM'000
After charging/(crediting):		
Depreciation and amortization	2,956	11,159
Fair value loss in derivative financial instruments	741	557
Favourable valuation adjustment on tin inventory	-	(17,400)
Gain on disposal of property, plant and equipment	-	(59)
Gain on partial disposal of a joint venture	(11,541)	(11,541)
Impairment of investment in associates and joint ventures	766	766
Impairment of receivables	14,434	14,450
Net foreign exchange loss	23,908	7,975
Other income including investment income	(2,185)	(4,295)
Property, plant and equipment written off	-	1
(Gain)/Loss on disposal of investment securities	-	-

B3. Share of Results of Associates and Joint Ventures

Current Quarter 4Q 2016

The Group's share of results of associates and joint ventures recorded a net share of profit of RM29.73 million in 4Q 2016 compared with RM0.20 million in 4Q 2015. This was mainly due to a reversal of provision for tax liabilities recorded in 2Q 2016.

Current Financial Year

The Group's share of results of associates and joint ventures recorded a net share of losses of RM0.09 million in 2016 compared with a net share of profit of RM1.68 million in 2015.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

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

B4. Income Tax Credit/(Expense)

Income tax credit/(expense) comprises the following:

	4th Quarter ended 31.12.2016 RM'000	12 months ended 31.12.2016 RM'000
Income tax		
- Current provision	(2,510)	(19,933)
- Under provision in prior years	(1)	(343)
	(2,511)	(20,276)
Deferred tax		
- Relating to origination and reversal of temporary differences	1,657	(595)
- Over provision in prior year	(11)	5,360
	1,646	4,765
Total income tax expense	(865)	(15,511)

For the current financial year, 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 reversal of over provision in deferred tax.

B5. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 21 February 2017, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

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

B6. Interest-Bearing Loans and Borrowings

Group borrowings as at 31 December 2016 comprise the following:

	As at 31.12.2016 RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	33,011
Bankers' acceptances	256,176
	<u>289,187</u>

	As at 31.12.2016 RM'000
b) Long Term Borrowings (unsecured)	
Term loan	50,282

Amount denominated in foreign currency	'000
Foreign currency trade finance (US dollars)	7,361
Term loan (Singapore dollars)	16,200

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

Short term borrowings bear interest at rates ranging from 1.25% to 4.52% (2015: 0.93% to 4.50%) per annum.

The term loan which is repayable in one lump sum at maturity bears interest at rate of 4.00% per annum.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

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

B7. Derivative Financial Instruments

As at 31 December 2016, 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
Forward Currency Contracts			
- Less than 1 year	107,772	110,430	(2,034)
- 1 year to 3 years	52,366	51,519	(644)

The forward currency contracts are entered for hedging purposes.

During the current financial year, the Group has recognised a fair value loss net of tax of RM626,000 relating to the ineffective portion of the hedges in its income statement.

The risks and policies relating to the management of derivative financial instruments are similar to those disclosed in the annual financial statements for the year ended 31 December 2015.

B8. Changes in Material Litigation

Since 31 December 2015, there was no material litigation against the Group as at 21 February 2017, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

B9. Material Change in the Quarterly Results as Compared with the Preceding Quarter

The Group recorded a profit before tax of RM6.37 million in 4Q 2016 compared with RM16.78 million in 3Q 2016. This was mainly due to higher cost of sales and higher impairment of receivables, partially offset by a higher share of profits from associates and joint ventures arising from a reversal of provision for tax liabilities recorded in 2Q 2016.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

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

B10. Review of Performance of the Company and its Principal Subsidiaries

Current Quarter 4Q 2016

The Group recorded a revenue of RM350.14 million in 4Q 2016, 1.3% lower compared with RM354.65 million in 4Q 2015.

Group profit before tax was RM6.37 million in 4Q 2016 compared with a loss before tax of RM4.38 million in 4Q 2015. This was mainly due to a higher share of profits from associates and joint ventures arising from a reversal of provision for tax liabilities recorded in 2Q 2016 and off-set by higher cost of sales and higher impairment of receivables.

The Butterworth international smelting business recorded a loss before tax of RM32.40 million in 4Q 2016 compared with a loss before tax of RM4.83 million in 4Q 2015. The higher loss in 4Q 2016 was mainly due to higher cost of sales and higher impairment of receivables.

Rahman Hydraulic Tin mining operations recorded a profit before tax of RM18.19 million in 4Q 2016 compared with RM7.29 million in 4Q 2015. This was mainly due to higher tin prices in 4Q 2016.

Current Financial Year

The Group recorded a revenue of RM1.48 billion for the year ended 31 December 2016, 1.4% higher as compared with RM1.46 billion in the previous year.

Group profit before tax was RM52.96 million in 2016 compared with RM3.24 million in 2015. This was mainly due to higher tin prices and lower losses from foreign exchange.

The Butterworth international smelting business recorded a profit before tax of RM22.89 million in 2016 compared with a loss before tax of RM5.48 million in 2015. This was mainly due to higher tin prices and lower losses from foreign exchange.

Rahman Hydraulic Tin mining operations recorded a profit before tax of RM40.3 million in 2016 compared with RM14.19 million in 2015. This was mainly due to higher sales quantity and higher tin prices in 2016.

Notes to the Interim financial report for the Fourth Quarter ended 31 December 2016

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

B11. Current Year Prospects

Although tin prices have improved, market conditions remain challenging as the global commodity and resource sectors are still volatile.

The Group's financial results will continue to be impacted by tin price and foreign exchange fluctuations.

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

	12 months ended 30.12.2016	12 months ended 31.12.2015
Profit/(Loss) net of tax attributable to owners of the Company:	37,452	(4,795)
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic/Diluted earnings/(loss) per share (sen)	<u>37.5</u>	<u>(4.8)</u>

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

B13. Breakdown of Retained Earnings into Realised and Unrealised

	As at end of current quarter RM'000	As at preceding financial year end RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	52,916	25,029
- Unrealised	(1,774)	(4,243)
	51,142	20,786
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(2,782)	(4,719)
- Unrealised	464	283
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	17,672	19,784
- Unrealised	(125)	(11,571)
	66,371	24,563
Add: Consolidation adjustments	1,081	6,588
Retained earnings as per financial statements	67,452	31,151

B14. Dividend Payable

The Board of Directors has recommended, for approval at the forthcoming Annual General Meeting, payment of a first and final single tier dividend of 8 sen (2015: Nil) amounting to RM8.0 million (2015: Nil) for the financial year ended 31 December 2016.

By Order of the Board
Tan Ai Ning
Secretary

Kuala Lumpur
27 February 2017