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# **MALAYSIA SMELTING CORPORATION BERHAD**

## **INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

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MALAYSIA SMELTING CORPORATION BERHAD (43072-A)

9 November 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2017**

		As at 30.09.2017 Unaudited RM'000	As at 31.12.2016 Audited RM'000
<b>Assets</b>	<b>Note</b>		
<b>Non-current assets</b>			
Property, plant and equipment		151,508	154,615
Prepaid land lease payments		749	773
Base inventory		3,000	3,000
Intangible assets		6,170	6,995
Investment in associates and joint ventures		36,361	37,336
Investment securities		28,077	23,423
Other non-current assets		14,659	15,025
Deferred tax assets		7,085	3,986
		247,609	245,153
<b>Current assets</b>			
Inventories		400,410	374,249
Trade receivables	<b>B5</b>	33,974	30,733
Other receivables		7,577	12,969
Trade prepayments		37,821	36,267
Other prepayments		2,492	3,352
Tax recoverable		12,890	11,480
Cash, bank balances and deposits		63,144	80,391
		558,308	549,441
<b>Total assets</b>		805,917	794,594
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Provisions		12,035	12,035
Borrowings	<b>B6</b>	298,715	289,187
Trade and other payables		107,518	126,159
Current tax payable		2,165	5,338
Derivative financial instruments		3	2,676
		420,436	435,395
<b>Net current assets</b>		137,872	114,046
<b>Non-current liabilities</b>			
Provisions		27,494	26,728
Deferred tax liabilities		1,457	1,959
Borrowings	<b>B6</b>	50,445	50,282
Derivative financial instruments		1,012	847
		80,408	79,816
<b>Total liabilities</b>		500,844	515,211
<b>Net assets</b>		305,073	279,383
<b>Equity attributable to owners of the Company</b>			
Share capital		176,372	100,000
Share premium		-	76,372
Other reserves		42,788	38,383
Retained earnings		85,620	64,334
		304,780	279,089
<b>Non-controlling interest</b>		293	294
<b>Total Equity</b>		305,073	279,383
<b>Total equity and liabilities</b>		805,917	794,594
<b>Net assets per share attributable to owners of the Company (RM)</b>		<b>3.05</b>	<b>2.79</b>

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 2016 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 2017**

	Note	3 rd Quarter		Year to Date	
		3 months ended		9 months ended	
		30.09.2017	30.09.2016	30.09.2017	30.09.2016
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		403,165	323,125	1,117,658	1,127,805
Operating profit		16,047	18,453	51,887	86,124
Finance costs		(3,737)	(2,383)	(10,520)	(9,709)
Share of results of associates and joint ventures		(638)	708	(113)	(29,819)
<b>Profit before tax</b>	<b>B2</b>	11,672	16,778	41,254	46,596
Income tax (expense)/credit	<b>B3</b>	(4,025)	520	(11,969)	(14,646)
<b>Profit net of tax</b>		7,647	17,298	29,285	31,950
<b>Attributable to:</b>					
Owners of the Company		7,648	17,299	29,286	31,951
Non-controlling interest		(1)	(1)	(1)	(1)
		7,647	17,298	29,285	31,950
<b>Earnings per share attributable to owners of the Company (sen):</b>					
Basic and diluted	<b>B12</b>	7.6	17.3	29.3	32.0

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 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	<b>3 rd Quarter</b>		<b>Year to Date</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit net of tax</b>	7,647	17,298	29,285	31,950
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	1,279	578	3,537	4,831
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Net fair value changes on cash flow hedges	-	(1,549)	1,720	5,932
Share of foreign currency translation of an associate and a joint venture	(216)	1,632	(852)	(2,525)
	<u>(216)</u>	<u>83</u>	<u>868</u>	<u>3,407</u>
<b>Other comprehensive income for the period, net of tax</b>	1,063	661	4,405	8,238
<b>Total comprehensive income for the period</b>	<u>8,710</u>	<u>17,959</u>	<u>33,690</u>	<u>40,188</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	8,711	17,960	33,691	40,189
Non-controlling interest	(1)	(1)	(1)	(1)
	<u>8,710</u>	<u>17,959</u>	<u>33,690</u>	<u>40,188</u>

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 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	Note	Attributable to owners of the Company							Total	Non-controlling interest	Total equity	
		Non - Distributable				Distributable						
RM'000		Share capital	Share premium	Revaluation reserves	Foreign currency translation reserves	Available-for-sale reserves	FVOCI reserves	Hedging reserves	Retained earnings			
<b>At 1 January 2017</b>		100,000	76,372	31,726	3,206	-	5,171	(1,720)	64,334	279,089	294	279,383
Transfer in accordance with Section 618(2) of the Companies Act 2016 ( <b>Note a</b> )		76,372	(76,372)	-	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	-	-	29,286	29,286	(1)	29,285
Other comprehensive income		-	-	-	(852)	-	3,537	1,720	-	4,405	-	4,405
Total comprehensive income		-	-	-	(852)	-	3,537	1,720	29,286	33,691	(1)	33,690
<b>Transactions with owners of the Company:</b>												
Dividend paid	A7	-	-	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)
<b>At 30 September 2017</b>		<b>176,372</b>	<b>-</b>	<b>31,726</b>	<b>2,354</b>	<b>-</b>	<b>8,708</b>	<b>-</b>	<b>85,620</b>	<b>304,780</b>	<b>293</b>	<b>305,073</b>
<b>At 1 January 2016</b>		100,000	76,372	28,845	11,313	391	-	(7,114)	31,151	240,958	296	241,254
Effect of MFRS 9 <i>Financial Instruments</i> adoption		-	-	-	-	(391)	(2,803)	-	(1,151)	(4,345)	-	(4,345)
At 1 January 2016 (restated)		100,000	76,372	28,845	11,313	-	(2,803)	(7,114)	30,000	236,613	296	236,909
Profit for the period		-	-	-	-	-	-	-	31,951	31,951	(1)	31,950
Other comprehensive income		-	-	-	(2,525)	-	4,831	5,932	-	8,238	-	8,238
Total comprehensive income		-	-	-	(2,525)	-	4,831	5,932	31,951	40,189	(1)	40,188
<b>At 30 September 2016</b>		<b>100,000</b>	<b>76,372</b>	<b>28,845</b>	<b>8,788</b>	<b>-</b>	<b>2,028</b>	<b>(1,182)</b>	<b>61,951</b>	<b>276,802</b>	<b>295</b>	<b>277,097</b>

**Note a**

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the concept of authorized share capital and par value of share capital have been abolished. Consequently, the credit standing in the share premium account of RM76,372,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact of the number of ordinary shares in issue.

Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited annual financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	9 months ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
<b>Operating activities</b>		
Operating cash flows before changes in working capital	59,597	72,911
Increase in inventories	(25,774)	(38,911)
Decrease/(Increase) in trade and other receivables	7,563	(9,027)
(Increase)/Decrease in trade prepayments	(1,554)	103,067
Decrease/(Increase) in other prepayments	968	(466)
Decrease in payables	(18,345)	(9,957)
Decrease in amount due to holding company	(600)	(9)
(Increase)/Decrease in amount due from associates and joint ventures	(4,825)	2,498
<b>Cash generated from operations</b>	<b>17,030</b>	<b>120,106</b>
Income tax paid	(21,766)	(13,316)
Interest paid	(9,086)	(8,224)
<b>Net cash (used in)/generated from operating activities</b>	<b>(13,822)</b>	<b>98,566</b>
<b>Investing activities</b>		
Interest received	1,219	2,764
Payment for deferred mine exploration and evaluation expenditures and mine properties	(383)	(2,990)
Payment for intangible assets	(65)	-
Withdrawal of deposits of more than three months maturity with licensed banks	-	3,234
Proceeds from disposal of intangible assets	36	-
Proceeds from disposal of property, plant and equipment	1,083	84
Purchase of property, plant and equipment	(7,622)	(2,391)
<b>Net cash (used in)/generated from investing activities</b>	<b>(5,732)</b>	<b>701</b>
<b>Financing activities</b>		
Dividend paid	(8,000)	-
Drawdown/(Repayment) of short term trade financing and other borrowings	9,528	(161,487)
Repayment of term loan	-	(6,011)
<b>Net cash generated from/(used in) financing activities</b>	<b>1,528</b>	<b>(167,498)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(18,026)</b>	<b>(68,231)</b>
Effect of changes in foreign exchange rates	609	1
<b>Cash and cash equivalents as at 1 January</b>	<b>76,873</b>	<b>127,191</b>
<b>Cash and cash equivalents as at 30 September</b>	<b>59,456</b>	<b>58,961</b>
	<b>2017</b>	<b>2016</b>
<b>Cash and bank balances comprise the following at 30 September:</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short term deposits	59,456	58,961
Deposits of more than three months maturity with licensed banks	3,688	3,490
	<b>63,144</b>	<b>62,451</b>

**Reconciliation of liabilities arising from financing activities:**

	Carrying amount	Cash flows	Non-cash changes	Carrying amount
	as at		Foreign exchange	as at
	1 January 2017	RM'000	movement	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Short term borrowings	289,187	9,528	-	298,715
Term loan	50,282	-	163	50,445
<b>Total liabilities from financing activities</b>	<b>339,469</b>	<b>9,528</b>	<b>163</b>	<b>349,160</b>

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 2016 and the accompanying explanatory notes attached to the Interim Financial Report.

## PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

### A1. Basis of Preparation

These condensed consolidated Interim Financial Report have 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 consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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 2016.

### 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 2016 except for the adoption of the pronouncements that became effective from 1 January 2017.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to MFRS 107 Statement of Cash Flows - <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 Income Taxes - <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 12 Disclosure of Interests in Other Entities ( <i>Annual Improvements to MFRSs 2014 - 2016 Cycle</i> )	1 January 2017

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 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires 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 this amendment, entities are not required to provide comparative information for preceding periods. The amendments affect presentation and disclosure in financial statements only and have no impact on the Group's financial position or performance.

## 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

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 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 - 2016 Cycle)	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	1 January 2018
Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 - 2016 Cycle)	1 January 2018
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
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above pronouncements is not expected to have material impact on the financial statements in the period of initial application, except as disclosed below:

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group is currently assessing the impact of MFRS 15.



## **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)**

##### MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is currently assessing the impact of MFRS 16.

### **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 2017.

### **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 2017.

### **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 2017.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A7. Dividend Paid**

The following dividends were paid during the current financial period ended 30 September 2017. No dividend was paid during the previous corresponding financial period ended 30 September 2016:

	<b>30.09.2017</b>	<b>30.09.2016</b>
<b>Final dividend</b>		
For the financial year ended	31 December 2016	31 December 2015
Approved and declared on	17 May 2017	-
Date paid	11 July 2017	-
Number of ordinary shares on which dividends were paid ('000)	100,000	-
Dividend per share (single-tier)	8.0 sen	-
Dividend paid (RM'000)	8,000	-

**A8. 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.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A8. Segmental Reporting (cont'd)**

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

	<b>Tin Smelting</b>	<b>Tin Mining</b>	<b>Others</b>	<b>Sub-total</b>	<b>(Eliminations)/ Adjustments</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Results for 3 months ended 30 September 2017</b>						
<b>Revenue</b>						
Sales to external customers	403,165	-	-	403,165	-	403,165
Inter-segment sales	-	44,423	-	44,423	(44,423)	-
<b>Total revenue</b>	<b>403,165</b>	<b>44,423</b>	<b>-</b>	<b>447,588</b>	<b>(44,423)</b>	<b>403,165</b>
<b>Results</b>						
Operating profit/(loss)	3,900	9,141	(25)	13,016	3,031	16,047
Finance costs	(3,364)	(256)	(117)	(3,737)	-	(3,737)
Share of results of associates and joint ventures	-	-	(638)	(638)	-	(638)
Profit/(Loss) before tax	536	8,885	(780)	8,641	3,031	11,672
Income tax expense	(754)	(2,543)	-	(3,297)	(728)	(4,025)
<b>(Loss)/Profit net of tax</b>	<b>(218)</b>	<b>6,342</b>	<b>(780)</b>	<b>5,344</b>	<b>2,303</b>	<b>7,647</b>

**Results for 3 months ended 30 September 2016**

<b>Revenue</b>						
Sales to external customers	323,125	-	-	323,125	-	323,125
Inter-segment sales	-	44,511	449	44,960	(44,960)	-
<b>Total revenue</b>	<b>323,125</b>	<b>44,511</b>	<b>449</b>	<b>368,085</b>	<b>(44,960)</b>	<b>323,125</b>
<b>Results</b>						
Operating profit	7,540	11,320	135	18,995	(542)	18,453
Finance costs	(1,951)	(180)	(252)	(2,383)	-	(2,383)
Share of results of associates and joint ventures	-	-	708	708	-	708
Profit before tax	5,589	11,140	591	17,320	(542)	16,778
Income tax credit/(expense)	3,246	(2,804)	(52)	390	130	520
<b>Profit net of tax</b>	<b>8,835</b>	<b>8,336</b>	<b>539</b>	<b>17,710</b>	<b>(412)</b>	<b>17,298</b>

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A8. Segmental Reporting (cont'd)**

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total
<b>Results for 9 months ended 30 September 2017</b>						
<b>Revenue</b>						
Sales to external customers	1,117,658	-	-	1,117,658	-	1,117,658
Inter-segment sales	-	139,321	-	139,321	(139,321)	-
<b>Total revenue</b>	<b>1,117,658</b>	<b>139,321</b>	<b>-</b>	<b>1,256,979</b>	<b>(139,321)</b>	<b>1,117,658</b>
<b>Results</b>						
Operating profit/(loss)	11,486	37,521	(72)	48,935	2,952	51,887
Finance costs	(9,191)	(767)	(562)	(10,520)	-	(10,520)
Share of results of associates and joint ventures	-	-	(113)	(113)	-	(113)
Profit/(Loss) before tax	2,295	36,754	(747)	38,302	2,952	41,254
Income tax expense	(1,161)	(10,099)	-	(11,260)	(709)	(11,969)
<b>Profit/(Loss) net of tax</b>	<b>1,134</b>	<b>26,655</b>	<b>(747)</b>	<b>27,042</b>	<b>2,243</b>	<b>29,285</b>
<b>Results for 9 months ended 30 September 2016</b>						
<b>Revenue</b>						
Sales to external customers	1,127,805	-	-	1,127,805	-	1,127,805
Inter-segment sales	-	121,568	1,347	122,915	(122,915)	-
<b>Total revenue</b>	<b>1,127,805</b>	<b>121,568</b>	<b>1,347</b>	<b>1,250,720</b>	<b>(122,915)</b>	<b>1,127,805</b>
<b>Results</b>						
Operating profit	63,375	22,643	439	86,457	(333)	86,124
Finance costs	(8,082)	(540)	(1,087)	(9,709)	-	(9,709)
Share of results of associates and joint ventures	-	-	(29,819)	(29,819)	-	(29,819)
Profit/(Loss) before tax	55,293	22,103	(30,467)	46,929	(333)	46,596
Income tax expense	(8,859)	(5,709)	(156)	(14,724)	78	(14,646)
<b>Profit/(Loss) net of tax</b>	<b>46,434</b>	<b>16,394</b>	<b>(30,623)</b>	<b>32,205</b>	<b>(255)</b>	<b>31,950</b>

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A8. Segmental Reporting (cont'd)**

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total
<b>Assets and Liabilities as at 30 September 2017</b>						
<b>Assets</b>						
Segment assets	672,861	71,196	28,187	772,244	(2,688)	769,556
Investment in associates and joint ventures	-	-	36,361	36,361	-	36,361
<b>Total assets</b>	<b>672,861</b>	<b>71,196</b>	<b>64,548</b>	<b>808,605</b>	<b>(2,688)</b>	<b>805,917</b>
<b>Liabilities</b>						
Segment liabilities	<b>446,988</b>	<b>53,793</b>	<b>63</b>	<b>500,844</b>	<b>-</b>	<b>500,844</b>
<b>Assets and Liabilities as at 31 December 2016</b>						
<b>Assets</b>						
Segment assets	670,061	68,936	23,642	762,639	(5,381)	757,258
Investment in associates and joint ventures	-	-	37,336	37,336	-	37,336
<b>Total assets</b>	<b>670,061</b>	<b>68,936</b>	<b>60,978</b>	<b>799,975</b>	<b>(5,381)</b>	<b>794,594</b>
<b>Liabilities</b>						
Segment liabilities	<b>468,281</b>	<b>46,899</b>	<b>480</b>	<b>515,660</b>	<b>(449)</b>	<b>515,211</b>

**A9. 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 2016.

**A10. Event After the Reporting Period**

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

**A11. 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 2017.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A12. 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 2017 except for the following:

A subsidiary is defending a legal action brought by two companies. The subsidiary has strong grounds to defend the action based on legal advice. The legal suit is currently pending hearing. In the Directors' opinion, disclosure of additional information about the above matter would be prejudicial to the interests of the Group.

**A13. Capital Commitments**

Capital commitments of the Group as at 30 September 2017 are as follows:

	<b>30.09.2017</b> <b>RM'000</b>	<b>31.12.2016</b> <b>RM'000</b>
Approved and contracted for	16,318	287
Approved but not contracted for	10,300	29,098
	<b>26,618</b>	<b>29,385</b>

**A14. 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 2016.

**A15. 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)

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A15. Fair Value of Assets and Liabilities (cont'd)**

The Group held the following financial assets and liabilities that are measured at fair value:

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>At 30 September 2017</b>				
<b>Assets measured at fair value:</b>				
Land and buildings	-	-	82,537	82,537
Investment securities	28,077	-	-	28,077
<b>Liabilities measured at fair value:</b>				
Derivative financial instruments	-	1,015	-	1,015
<b>At 31 December 2016</b>				
<b>Assets measured at fair value:</b>				
Land and buildings	-	-	83,755	83,755
Investment securities	23,423	-	-	23,423
<b>Liabilities measured at fair value:</b>				
Derivative financial instruments	-	3,523	-	3,523

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 resulted in a different classification of that assets/liabilities during the current quarter and financial year-to-date ended 30 September 2017.

**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 2016 was unqualified.

**B2. Profit/(Loss) Before Tax**

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

	3 <sup>rd</sup> Quarter ended 30.09.2017 RM'000	3 <sup>rd</sup> Quarter ended 30.09.2016 RM'000	9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000
<b>After charging/(crediting):</b>				
Depreciation and amortisation	4,293	2,731	11,203	8,203
Favourable inventory valuation adjustment	(387)	(700)	-	(17,400)
Fair value loss/(gain) in derivative financial instruments				
- Forward currency contracts	254	(92)	(244)	355
- Forward commodity contracts	-	114	-	(539)
Net foreign exchange loss/(gain)	3,422	(288)	3,299	(15,933)
Gain on disposal of property, plant and equipment	(337)	(1)	(157)	(59)
Interest income	(516)	(413)	(1,342)	(3,039)
Impairment of receivables	-	16	-	16
Loss on disposal of intangible assets	16	-	16	-
Other income including investment income	(3,315)	(139)	(4,042)	(2,110)

There was no material impairment of assets recognised as a loss during the current quarter and financial year-to-date ended 30 September 2017.

**B3. Income Tax (Expense)/Credit**

Income tax (expense)/credit comprises the following:

	3 <sup>rd</sup> Quarter ended 30.09.2017 RM'000	3 <sup>rd</sup> Quarter ended 30.09.2016 RM'000	9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000
Income tax				
- Current provision	(6,548)	(1,964)	(17,452)	(17,423)
- Over/(Under) provision in prior years	270	(342)	270	(342)
	(6,278)	(2,306)	(17,182)	(17,765)
Deferred tax				
- Relating to origination and reversal of temporary differences	2,062	(2,485)	5,022	(2,252)
- Over provision in prior year	191	5,311	191	5,371
	2,253	2,826	5,213	3,119
<b>Total income tax (expense)/credit</b>	<b>(4,025)</b>	<b>520</b>	<b>(11,969)</b>	<b>(14,646)</b>

For the current financial year-to-date, the effective tax rate for the Group was higher than the statutory tax rate in Malaysia mainly due to certain non-tax deductible expenses.



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

**B4. Corporate Proposal**

There was no corporate proposal announced but not completed as at 3 November 2017, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report.

**B5. Trade Receivables**

The age analysis of trade receivable of the Group as at 30 September 2017 is as follows:

	Not past due RM'000	Past due					Total RM'000
		< 30 days RM'000	30 to 60 days RM'000	61 to 90 days RM'000	91 to 120 days RM'000	>120 days RM'000	
Trade receivables as at 30.09.2017	33,968	-	-	-	-	6	33,974
Trade receivables as at 31.12.2016	30,722	-	5	-	-	6	30,733

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 RM6,000 that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are from creditworthy customers.

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

**B6. Loans and Borrowings**

Details of the Group's loans and borrowings as at 30 September 2017 are as follows:

	<b>As at 30.09.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
<b>a) Short Term Borrowings (unsecured)</b>		
Foreign currency trade finance	-	33,011
Bankers' acceptances	298,715	256,176
	298,715	289,187
<b>b) Long Term Borrowings (unsecured)</b>		
Term loan	50,445	50,282
	<b>349,160</b>	<b>339,469</b>

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

During the 9 months ended 30 September 2017, the Group increased its total borrowings by approximately 2.9% from RM339.5 million as at 31 December 2016 to RM349.2 million as at 30 September 2017 due to drawdown of short term borrowings for working capital requirements. Despite increase in borrowings, the gearing ratio of the Group improved to 1.1 times as at 30 September 2017 from 1.2 times as at 31 December 2016.

The weighted average interest rate of short term borrowings as at 30 September 2017 for the Group was 3.9% (2016: 3.7%) 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/SGD3.2325. The term loan bears a fixed interest rate of 4.0% per annum.

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

**B7. Foreign Currency Exposure and Hedging Policy**

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. Derivative financial instruments entered into by the Group are similar to those disclosed in the annual financial statements as at and for the financial year ended 31 December 2016.

The outstanding forward foreign currency contracts as at 30 September 2017 are as follows:

<b>Derivative Financial Instruments</b>	<b>Contract Value RM'000</b>	<b>Fair Value RM'000</b>
<b>At 30 September 2017</b>		
Forward Currency Contracts		
- Less than 1 year	66,809	66,812
- 1 year to 3 years	52,366	51,354
<b>At 31 December 2016</b>		
Forward Currency Contracts		
- Less than 1 year	107,772	110,430
- 1 year to 3 years	52,366	51,519

**B8. Material Litigation**

There was no material litigation as at 3 November 2017, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report.

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

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

Financial review for current quarter compared with immediate preceding quarter

	<b>Current Quarter 30.09.2017 RM'000</b>	<b>Immediate Preceding Quarter 30.06.2017 RM'000</b>	<b>Changes %</b>
Revenue	403,165	307,879	31%
Operating Profit	16,047	15,146	6%
Profit Before Interest and Tax	15,409	15,424	(<1%)
Profit Before Tax	11,672	11,882	(2%)
Profit After Tax	7,647	9,015	(15%)
Profit Attributable to Owners of the Company	7,648	9,015	(15%)

3Q 2017 vs. 2Q 2017

Group revenue was RM403.2 million in 3Q 2017 as compared with RM307.9 million in 2Q 2017. This was mainly due to higher sales quantity of refined tin.

The Group recorded a profit before tax of RM11.7 million in 3Q 2017 compared with RM11.9 million in 2Q 2017.

The tin smelting segment recorded a profit before tax of RM0.5 million in 3Q 2017 as compared with a loss before tax of RM3.7 million in 2Q 2017. This was mainly due to higher production volume and higher profit from the sale of by-products.

The tin mining segment recorded a profit before tax of RM8.9 million in 3Q 2017 as compared with RM13.2 million in 2Q 2017. This was mainly due to lower yield resulting in higher production cost per tonne in 3Q 2017.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.6 million in 3Q 2017 as compared with a net share of profit of RM0.3 million in 2Q 2017.

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

**B10. Review of Performance**

Financial review for current quarter and financial year to date

	Cumulative Period (9 months)		Changes %	Individual Period (3 <sup>rd</sup> quarter)		Changes %
	Current Year To- date	Preceding Year Corresponding Period		Current Year Quarter	Preceding Year Corresponding Quarter	
	30.09.2017 RM'000	30.09.2016 RM'000		30.09.2017 RM'000	30.09.2016 RM'000	
Revenue	1,117,658	1,127,805	(1%)	403,165	323,125	25%
Operating Profit	51,887	86,124	(40%)	16,047	18,453	(13%)
Profit Before Interest and Tax	51,774	56,305	(8%)	15,409	19,161	(20%)
Profit Before Tax	41,254	46,596	(11%)	11,672	16,778	(30%)
Profit After Tax	29,285	31,950	(8%)	7,647	17,298	(56%)
Profit Attributable to Owners of the Company	29,286	31,951	(8%)	7,648	17,299	(56%)

9M 2017 vs. 9M 2016

Group revenue was RM1.1 billion in the 9 months of the current financial year (9M 2017) comparable to RM1.1 billion in 9M 2016.

Group profit before tax was RM41.3 million in 9M 2017 as compared with RM46.6 million in 9M 2016.

The tin smelting segment recorded a profit before tax of RM2.3 million in 9M 2017 as compared with RM55.3 million in 9M 2016. This was mainly due to the absence of a favourable inventory valuation adjustment and favourable foreign exchange differences, lower sales volume, higher production cost and operating expenses.

The tin mining segment recorded a higher profit before tax of RM36.8 million in 9M 2017 as compared with RM22.1 million in 9M 2016. This was mainly due to favourable tin prices in 9M 2017.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.1 million in 9M 2017 as compared with a net share of loss of RM29.8 million in 9M 2016. Share of loss in 9M 2016 was mainly due to the provision of additional prior years' tax liabilities from the Group's investment in a joint venture, KM Resources, Inc.

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

**B10. Review of Performance (cont'd)**

3Q 2017 vs. 3Q 2016

Group revenue was RM403.2 million in 3Q 2017 as compared with RM323.1 million in 3Q 2016. This was mainly due to higher sales quantity of refined tin and higher tin prices in 3Q 2017.

Group profit before tax was RM11.7 million in 3Q 2017 as compared with RM16.8 million in 3Q 2016.

The tin smelting segment recorded a profit before tax of RM0.5 million in 3Q 2017 as compared with RM5.6 million in 3Q 2016. This was mainly due to the impact from foreign exchange differences, higher production cost and operating expenses.

The tin mining segment recorded a profit before tax of RM8.9 million in 3Q 2017 as compared with RM11.1 million in 3Q 2016. This was mainly due to lower yield resulting in higher production cost per tonne in 3Q 2017.

The Group's share of results of associates and joint ventures recorded a net share of loss of RM0.6 million in 3Q 2017 as compared with a net share of profit of RM0.7 million in 3Q 2016

**B11. Current Year Prospects**

Market conditions for the remaining periods continue to be challenging as the foreign exchange, global commodity and metal prices including tin are still volatile. However, the Group will continue to focus on operational efficiencies to mitigate these challenges.

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

**B12. Earnings Per Share Attributable to Owners of the Company**

	3 <sup>rd</sup> Quarter ended 30.09.2017	3 <sup>rd</sup> Quarter ended 30.09.2016	9 months ended 30.09.2017	9 months ended 30.09.2016
Profit net of tax attributable to owners of the Company (RM'000)	7,648	17,299	29,286	31,951
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
<b>Basic and diluted earnings per share (sen)</b>	<b>7.6</b>	<b>17.3</b>	<b>29.3</b>	<b>32.0</b>

**B13. Breakdown of Retained Earnings into Realised and Unrealised**

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	54,184	49,798
- Unrealised	13,015	(1,774)
	<hr/> 67,199	<hr/> 48,024
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(2,993)	(2,782)
- Unrealised	464	464
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	17,770	17,672
- Unrealised	(125)	(125)
	<hr/> 82,315	<hr/> 63,253
Add: Consolidation adjustments	3,305	1,081
Retained earnings as per Interim Financial Report	<hr/> <hr/> 85,620	<hr/> <hr/> 64,334

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

**B14. Dividend Payable**

No dividend is declared for the quarter ended 30 September 2017.

By Order of the Board  
Soo Han Yee  
Tan Ai Ning  
Joint Secretaries

Kuala Lumpur  
9 November 2017