NOTES TO THE 2nd INTERIM FINANCIAL REPORT – 30 JUNE 2015

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 2014. 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 2014.

The Company has a secondary listing on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Under the listing rules of the SGX-ST, the Company is required to provide a reconciliation of its periodic financial statements from Malaysian Financial Reporting Standards ("MFRS") to Singapore Financial Reporting Standards ("Singapore FRSs").

For the period under review, there are no material differences in the Group's profit for the period, and the Group's equity attributable to owners of the Company under MFRSs and Singapore FRSs except as discussed in Appendix A.

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 2014 except for the adoption of the following pronouncements:

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

The Group has not adopted the following pronouncements that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 January 2016

Annual Improvements to MFRSs 2012-2014 Cycle
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101: Disclosure Initiative
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
Amendments to MFRS 127: Equity Method in Separate Financial Statements
MFRS 14: Regulatory Deferral Accounts

Effective for financial periods beginning on or after 1 January 2017

MFRS 15: Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2018

MFRS 9: Financial Instruments

The directors expect that 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:

<u>Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</u>

The amendments clarify that:

- gains and losses resulting from transactions involving the sale or contribution of assets between an investor and its associate or joint venture that do not constitute a business, are recognised in the investor's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets between an investor and its associate or joint venture that constitute a business, are recognised in full in the investor's financial statements.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Group is currently assessing the impact of Amendments to MFRS 10 and MFRS 128.

<u>Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations</u>

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Group is currently assessing the impact of Amendments to MFRS 11.

<u>Amendments to MFRS 101: Disclosure Initiatives</u>

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 Group is currently assessing the impact of Amendments to MFRS 101.

<u>Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation</u>

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financials statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models 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 depict 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 2017 with early adoption permitted. The Group is in the process of assessing the impact of MFRS 15.

MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is in the process of assessing the impact of MFRS 9.

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group is currently assessing the impact of Annual Improvements to MFRSs 2012-2014 Cycle.

Standards	Descriptions
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	The amendment to MFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.
MFRS 7 Financial Instruments: Disclosures	The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required. In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
MFRS 119 Employee Benefits	The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
MFRS 134 Interim Financial Reporting	MFRS 134 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2014 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/(Loss) Before Tax

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

	2nd Quarter ended 30.06.2015 RM'000	**Year to date ended 30.06.2015 RM'000**
After charging and (crediting):		
Depreciation and amortisation	2,419	4,587
Fair value loss in derivative financial instruments	282	3,195
Gain on disposal of property, plant and equipment	-	(12)
Impairment of receivables	-	130
Net foreign exchange loss	2,566	13,560
Other income including investment income	(132)	(181)
Unfavourable valuation adjustment on tin inventory	21,500	34,200
(Gain)/Loss on disposal of investment securities	-	-
Impairment of investment securities	-	-
Property, plant and equipment written off	-	-

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	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue					
Sales to external customers	834,615	-	-	-	834,615
Inter-segment sales	-	49,134	898	(50,032)	-
Total revenue	834,615	49,134	898	(50,032)	834,615
Results					
(Loss)/Profit from operations	(21,710)	5,857	237	1,123	(14,493)
Finance costs	(5,771)	(181)	(1,064)	-	(7,016)
Share of results of associates and joint ventures	-	-	352	-	352
(Loss)/Profit before tax	(27,481)	5,676	(475)	1,123	(21,157)
Income tax expense	5,321	(1,541)	(141)	(281)	3,358
(Loss)/Profit net of tax	**(22,160)**	**4,135**	**(616)**	**842**	**(17,799)**

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Assets					
Segment assets	521,163	105,295	5,053	(449)	631,062
Investment in associates and joint ventures	-	-	76,203	-	76,203
Total assets	**521,163**	**105,295**	**81,256**	**(449)**	**707,265**
Liabilities					
Segment liabilities	**464,773**	**17,534**	**594**	**(449)**	**482,452**

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 2014.

12. Subsequent Events

There was no material event subsequent to end of the current quarter up to 6 August 2015, 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.

14. Changes in Contingent Liabilities and Contingent Assets

Since 31 December 2014, there were no changes in contingent liabilities or contingent assets as at 6 August 2015, 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 30 June 2015 was as follows:

	30.06.2015 RM'000
Approved but not contracted for	19,104
Contracted but not provided for	2,942
	22,046

16. Related Party Transactions

The following were significant related party transactions:

	6 months ended 30.06.2015
	RM'000
Sales of products to an associate	24,630

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:

	6 months ended 30.06.2015 RM'000
Current taxation	
Malaysian income tax	1,711
Deferred tax	(5,069)
Total	(3,358)

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 6 August 2015, 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

Group borrowings as at 30 June 2015 comprise the following:

	30.06.2015 RM'000
Short Term Borrowings (unsecured)	
Foreign currency trade finance	32,919
Bankers' acceptances	318,064
	350,983
Term loan	16,987
	367,970

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	8,696
Term loan (US dollar)	4,487

Foreign currency trade finance is utilised 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 4.50% per annum (2014: 1.05% to 4.43% per annum) for the Group.

Term loan which is repayable by quarterly instalments bears interest at a rate of 3.30% per annum (2014: 3.30% per annum) for the Group.

20. Derivative Financial Instruments

As at 30 June 2015, 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			
- Less than 1 year	13,433	13,404	(22)
ii. Forward Currency Contracts			
- Less than 1 year	236,064	242,018	(4,201)
- 1 to 3 years	18,063	18,589	(400)
iii. Forward Commodity Contracts			
- Less than 1 year	4,679	4,907	173
- 1 to 3 years	6,188	6,239	39

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

During the current financial year-to-date, the Group has recognised a fair value loss net of tax of RM2,428,000 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 2014.

21. Changes in Material Litigation

Since 31 December 2014, there was no material litigation against the Group as at 6 August 2015, 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 loss before tax of RM19.23 million in 2Q 2015 compared with a loss before tax of RM1.93 million in 1Q 2015 mainly due to lower average tin price and an increase in unfavourable valuation adjustment on tin inventory by RM8.80 million arising from lower closing tin price at end of 2Q 2015.

23. <u>Review of Performance of the Company and its Principal Subsidiaries</u>

<u>Current Quarter 2Q 2015</u>

Group revenue increased to RM452.98 million in 2Q 2015 compared with RM431.71 million in 2Q 2014 from continuing operations mainly due to higher sales quantity of refined tin.

The Group recorded a loss before tax of RM19.23 million in 2Q 2015 compared with a profit before tax of RM6.05 million in 2Q 2014 from continuing operations mainly due to lower average tin price and an unfavourable valuation adjustment on tin inventory of RM21.50 million arising from lower closing tin price at end of 2Q 2015.

The Butterworth international smelting business recorded a loss before tax of RM19.18 million in 2Q 2015 (2Q 2014: a profit before tax of RM10.31 million) mainly due to lower average tin price and an unfavourable valuation adjustment on tin inventory of RM21.50 million (2Q 2014: nil) arising from lower closing tin price at end of 2Q 2015.

Rahman Hydraulic Tin mining operations broke even in 2Q 2015 (2Q 2014: a profit before tax of RM8.79 million) mainly due to lower average tin price and lower sales quantity in 2Q 2015.

The associates and joint ventures recorded a net share of losses of RM0.38 million in 2Q 2015 (2Q 2014: a net share of profit of RM1.84 million).

<u>Current Financial Year-to-date</u>

Group revenue decreased to RM834.62 million in the 6 months (1H) of the current financial period compared with RM860.81 million in the previous corresponding period from continuing operations mainly due to lower average tin price in 1H 2015. Average tin price for 1H 2015 decreased by 25.0% to USD17,100 per tonne compared with USD22,800 per tonne in 1H 2014, or by 16.9% in our presentation currency to RM62,000 per tonne for 1H 2015 compared with RM74,600 per tonne for 1H 2014.

The Group recorded a loss before tax of RM21.16 million in 1H 2015 compared with a profit before tax of RM30.09 million in 1H 2014 from continuing operations mainly due to lower average tin price, an unfavourable valuation adjustment on tin inventory of RM34.20 million arising from lower closing tin price at end of 1H 2015, fair value loss in derivative financial instruments and a negative impact of foreign currency translation.

The Butterworth international smelting business recorded a loss before tax of RM27.48 million in 1H 2015 (1H 2014: a profit before tax of RM26.43 million) mainly due to lower average tin price, an unfavourable valuation adjustment on tin inventory of RM34.20 million (1H 2014: nil) arising from lower closing tin price at end of 1H 2015, fair value loss in derivative financial instruments and a negative impact of foreign currency translation.

Rahman Hydraulic Tin mining operations recorded a lower profit before tax of RM5.70 million in 1H 2015 (1H 2014: RM17.30 million) mainly due to lower average tin price and lower sales quantity in 1H 2015.

The associates and joint ventures recorded a net share of profit of RM0.35 million in 1H 2015 (1H 2014: a net share of profit of RM1.82 million).

24. Current Year Prospects

Market conditions remain challenging as the global commodity and resource sectors continued to be depressed resulting in lower commodity and metal prices including tin.

Despite these challenges, the underlying operations of the Group comprising Butterworth International Smelter and the Rahman Hydraulic Tin mine are still expected to perform satisfactorily for the current financial year but the Board remains cautious that the Group's financial results will be impacted by tin price and foreign exchange fluctuations.

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

	6 months ended 30.06.2015	**6 months ended 30.06.2014**
Loss net of tax attributable to owners of the Company:		
- (Loss)/Profit from continuing operations (RM'000)	(17,795)	18,448
- Loss from discontinued operations (RM'000)	-	(32,523)
Total (RM'000)	(17,795)	(14,075)
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic/Diluted:		
- from continuing operations (sen)	(17.8)	18.4
- from discontinued operations (sen)	-	(32.5)
Loss per share (sen)	(17.8)	(14.1)

26. Breakdown of Retained Earnings into Realised and Unrealised

	Current Quarter Ended 30.06.2015 RM'000	Preceding Quarter Ended 31.03.2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	1,814	21,669
- Unrealised	6,594	1,837
	8,408	23,506
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(6,361)	(6,098)
- Unrealised	283	298
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	20,092	20,193
- Unrealised	(11,568)	(11,567)
	10,854	26,332
Add: Consolidation adjustments	7,297	6,726
Retained earnings as per financial statements	18,151	33,058

27. Dividend Payable

No dividend is declared for the quarter ended 30 June 2015.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
12 August 2015

Appendix A – Reconciliations of MFRSs with Singapore FRSs

Foreign currency translation reserves

Under Singapore FRS, the translation differences on foreign operations are recognised as a separate component of equity. MFRS 1 provides the optional exemption that cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS - 1 January 2011, the cumulative foreign currency translation differences of RM28,067,000 (31 December 2014: RM11,133,000; 30 June 2015: RM11,133,000) were adjusted to retained earnings.

Singapore FRSs has not adopted these optional exemptions. As such, the reconciliations of equity for comparative periods from MFRSs to Singapore FRSs are provided below:

Reconciliation of equity as at 31 December 2014

	MFRS as at 31.12.2014 RM'000	Foreign currency translation reserves RM'000	Singapore FRSs as at 31.12.2014 RM'000
Equity			
Other reserves	21,603	(11,133)	10,470
Retained earnings	35,946	11,133	47,079

Reconciliation of equity as at 30 June 2015

	MFRS as at 30.06.2015 RM'000	Foreign currency translation reserves RM'000	Singapore FRSs as at 30.06.2015 RM'000
Equity			
Other reserves	29,993	(11,133)	18,860
Retained earnings	18,151	11,133	29,284