NOTES TO THE 4th INTERIM FINANCIAL REPORT – 31 DECEMBER 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 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 2018

MFRS 9: Financial Instruments
MFRS 15: Revenue from Contracts with Customers

Effective date to be announced by Malaysian Accounting Standards Board (MASB)

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

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:

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.

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 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 2018 with early adoption permitted. The Group is in the process of assessing the impact of MFRS 15.

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 Exceptional Items

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

	4th Quarter ended 31.12.2015 RM'000	**Year to date ended 31.12.2015 RM'000**
After charging/(crediting):		
Depreciation and amortisation	2,403	9,374
Fair value loss in derivative financial instruments	93	599
Gain on disposal of property, plant and equipment	-	(12)
Impairment of investment in associates and joint ventures	580	580
Impairment of investment securities	329	329
Impairment of other current assets	1,429	1,429
Impairment of receivables	4,265	4,395
Net foreign exchange loss	6,989	54,555
Other income including investment income	(1,271)	(2,475)
Unfavourable valuation adjustment on tin inventory	17,400	14,200
(Gain)/Loss on disposal of investment securities	-	-
Property, plant and equipment written off	-	-

5. Profit/(Loss) Before Exceptional Items (cont'd)

Restatement of revenue for financial year ended 31 December 2015:

	1st Quarter ended 31.03.2015 RM'000	2nd Quarter ended 30.06.2015 RM'000	3rd Quarter ended 30.09.2015 RM'000	4th Quarter ended 31.12.2015 RM'000	Year to date ended 31.12.2015 RM'000
Revenue	381,640	452,975	557,485	354,649	1,746,749
Less: Adjustments	-	(108,504)	(173,390)	-	(281,894)
Restated revenue	381,640	344,471	384,095	354,649	1,464,855

The adjustments involved revenue and cost of sales and had no financial impact to the profit or loss for the affected quarters or the year under review.

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 and the comparative period were as follows:

2015	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
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/(Loss) 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)**

At 31 December 2015	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Assets					
Segment assets	611,162	113,350	2,690	(606)	726,596
Investment in associates and joint ventures	-	-	84,469	-	84,469
Total assets	**611,162**	**113,350**	**87,159**	**(606)**	**811,065**
Liabilities					
Segment liabilities	**536,876**	**32,775**	**609**	**(449)**	**569,811**

11. Property, Plant and Equipment

The land and buildings have been revalued in December 2015, giving net revaluation surplus of RM4.2 million.

12. Subsequent Events

There was no material event subsequent to end of the current quarter up to 13 February 2016, 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 that on 2 September 2015, the Company subscribed, via a private placement, for 12,350,000 equity units ("Units") in Alphamin Resources Corp. ("Alphamin") for a total purchase consideration of approximately RM7.93 million. Each Unit sold at a price of CAD0.20 per Unit consists of one common share and one-third of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one additional common share of Alphamin at a price of CAD0.25 until 2 September 2016. The common shares sold including any shares issued on exercise of the Warrants, are subject to a four month hold period in Canada which expired on 3 January 2016. The Company's shareholding interest in Alphamin has increased from 1.9% to 5.0% upon completion of the private placement.

14. Changes in Contingent Liabilities and Contingent Assets

Since 31 December 2014, there were no changes in contingent liabilities or contingent assets as at 13 February 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

15. Capital Commitments

The amount of capital commitments at 31 December 2015 was as follows:

	31.12.2015 RM'000
Approved but not contracted for	19,400
Contracted but not provided for	1,531
	20,931

16. Related Party Transactions

The following were significant related party transactions:

	12 months ended 31.12.2015
	RM'000
Sales of products to an associate	48,872

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:

	Year to date ended 31.12.2015 RM'000
Current taxation	
Malaysian income tax	6,347
Over provision in prior years	(1,241)
Deferred tax	2,932
Total	8,038

For the current year ended 31 December 2015, the effective tax rate for the Group 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 13 February 2016, 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 31 December 2015 comprise the following:

	31.12.2015 RM'000
Short Term Borrowings (unsecured)	
Foreign currency trade finance	17,584
Bankers' acceptances	368,078
	385,662
Term loan	6,387
	392,049

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	4,095
Term loan (US dollar)	1,487

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 31 December 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	4,478	4,476	(1)
ii. Forward Currency Contracts - Less than 1 year	130,664	136,072	(4,151)
iii. Forward Commodity Contracts - Less than 1 year	9,678	5,077	(3,497)

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 RM455,000 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 2014.

21. Fair value of assets and liabilities

As at 31 December 2015, the Group's quoted equity instruments fair value of RM12,930,000 (31 December 2014: RM7,792,000) is at Level 1 which is determined directly by reference to the published market closing price at the reporting date. The Group also held interest rate swap contract, forward currency contracts and forward commodity contracts carried at fair value of approximately RM10,064,000 (31 December 2014: RM6,139,000) 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 subsequently resulted in a different classification of that assets/liabilities during the quarter.

The Group held freehold land and buildings amounting to RM48,967,000 (31 December 2014: RM44,804,000) carried at Level 3: significant unobservable inputs.

22. Changes in Material Litigation

Since 31 December 2014, there was no material litigation against the Group as at 13 February 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

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

The Group recorded a loss before tax of RM4.38 million in 4Q 2015 compared with a profit before tax of RM28.78 million in 3Q 2015 mainly due to an unfavourable valuation adjustment on tin inventory arising from lower closing tin price at end of 4Q 2015.

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

Current Quarter 4Q 2015

Group revenue decreased to RM354.65 million in 4Q 2015 compared with RM525.44 million in 4Q 2014 from continuing operations mainly due to lower sales quantity of refined tin and lower tin prices in 4Q 2015.

The Group recorded a loss of RM4.38 million before exceptional items in 4Q 2015 compared with a profit of RM9.84 million before exceptional items in 4Q 2014 from continuing operations mainly due to an unfavourable valuation adjustment on tin inventory in 4Q 2015.

The Butterworth international smelting business recorded a loss before tax of RM4.83 million in 4Q 2015 (4Q 2014: a profit before tax of RM8.60 million) mainly due to an unfavourable valuation adjustment on tin inventory in 4Q 2015.

Rahman Hydraulic Tin mining operations recorded a higher profit before tax of RM7.29 million in 4Q 2015 (4Q 2014: RM6.04 million) mainly due to higher sales quantity in 4Q 2015.

The associates and joint ventures recorded a net share of profit of RM0.20 million in 4Q 2015 (4Q 2014: a net share of losses of RM3.36 million).

24. Review of Performance of the Company and its Principal Subsidiaries (cont'd)

Current Financial Year-to-date

Group revenue decreased to RM1.46 billion for the year ended 31 December 2015 compared with RM1.92 billion in the previous year from continuing operations mainly due to lower sales quantity of refined tin and lower tin prices in 2015.

The Group recorded a profit of RM3.24 million before exceptional items in 2015 compared with a profit of RM49.19 million before exceptional items in 2014 from continuing operations mainly due to lower tin prices, unfavourable stock valuation adjustment and a negative impact of foreign currency translation.

The Butterworth international smelting business recorded a loss before tax of RM5.48 million in 2015 (2014: a profit before tax of RM38.62 million) mainly due to lower tin prices, unfavourable stock valuation adjustment and a negative impact of foreign currency translation.

Rahman Hydraulic Tin mining operations recorded a lower profit before tax of RM14.19 million in 2015 (2014: RM29.80 million) mainly due to lower tin prices and lower sales quantity in 2015.

The associates and joint ventures recorded a net share of profit of RM1.68 million in 2015 (2014: a net share of losses of RM2.00 million).

25. 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 expected to perform satisfactorily for the current financial year 2016 but the Board remains cautious that the Group's financial results will continue to be impacted by tin price and foreign exchange fluctuations.

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

	12 months ended 31.12.2015	12 months ended 31.12.2014
(Loss)/Profit net of tax attributable to owners of the Company:		
- from continuing operations (RM'000)	(4,795)	22,658
- from discontinued operations (RM'000)	-	(32,523)
Total (RM'000)	(4,795)	(9,865)
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic/Diluted:		
- from continuing operations (sen)	(4.8)	22.6
- from discontinued operations (sen)	-	(32.5)
Loss per share (sen)	(4.8)	(9.9)

27. Breakdown of Retained Earnings into Realised and Unrealised

	Current Quarter Ended 31.12.2015 RM'000	Preceding Quarter Ended 30.09.2015 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	25,029	34,614
- Unrealised	(4,243)	(6,919)
	20,786	27,695
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(4,719)	(5,050)
- Unrealised	283	283
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	19,784	19,920
- Unrealised	(11,571)	(11,571)
	24,563	31,277
Add: Consolidation adjustments	6,588	7,295
Retained earnings as per financial statements	31,151	38,572

28. Dividend Payable

No dividend is declared for the quarter ended 31 December 2015.

The Directors also do not recommend the payment of any final dividend for the financial year ended 31 December 2015.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
19 February 2016

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

Reconciliation of equity as at 31 December 2015

	MFRS as at 31.12.2015	**Foreign currency translation reserves**	**Singapore FRSs as at 31.12.2015**
	RM'000	**RM'000**	**RM'000**
Equity			
Other reserves	33,435	(11,133)	22,302
Retained earnings	31,151	11,133	42,284