NOTES TO THE 4th INTERIM FINANCIAL REPORT – 31 DECEMBER 2014

1. Basis of Preparation

This condensed consolidated interim financial statements (Condensed Report) has been prepared in accordance with *MFRS 134: Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board (IASB).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

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 2013 except for the adoption of the following new and amended MFRSs and Interpretations:

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21: Levies

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010–2012 Cycle
Annual Improvements to MFRSs 2011–2013 Cycle

Effective for financial periods beginning on or after 1 January 2016

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 (IFRS 9 as issued by IASB in July 2014)

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as disclosed below:

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness. Retrospective application is required.

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 currently 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.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

4. Seasonal or Cyclical Factors

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

5. Profit Before Exceptional Items

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

	4th Quarter ended 31.12.2014 RM'000	**Year to date ended 31.12.2014 RM'000**
After charging and (crediting):		
Depreciation and amortisation		
- Continuing	2,025	7,955
- Discontinued	-	84
(Favourable)/Unfavourable valuation adjustment on tin inventory	(2,600)	3,200
Fair value gain in derivatives	(321)	(584)
Gain on disposal of property, plant and equipment	-	(3)
Impairment of investment securities	-	93
Impairment of receivables	846	6,164
Loss on disposal of disposal group classified as held for sale		
- Discontinued	-	25,343
Loss on disposal of a subsidiary		
- Discontinued	-	3,504
Net foreign exchange loss		
- Continuing	4,982	10,409
- Discontinued	-	825
Other income including investment income	(200)	(2,661)
Provision for financial guarantee	-	9,635
Property, plant and equipment written off	4	4
Reversal of impairment of investment in an associate	(1,057)	(1,057)

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 except for the following:

	4th Quarter ended 31.12.2014 RM'000	Year to date ended 31.12.2014 RM'000	4th Quarter ended 31.12.2013 RM'000	Year to date ended 31.12.2013 RM'000
Impairment / (Reversal of impairment) of investment in KM Resources, Inc. ("KMR")	4,200	4,200	(28,000)	(6,000)
Impairment of investment in TMR Ltd	-	-	9,133	9,133
Impairment of investment in Asian Mineral Resources Limited	-	-	-	1,916
Impairment of investment in Alphamin Resources Corp.	-	-	-	1,865
Other investment	-	-	-	(38)
Total	4,200	4,200	(18,867)	6,876

During the financial year ended 31 December 2014, the Group carried out a review of the recoverable amount of its investment in KMR. An impairment provision of RM4.20 million was recognised in profit or loss of the Group. The recoverable amount was based on management estimates of fair value less costs to sell.

7. Changes in Estimates

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

8. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year-to-date.

9. Dividend Paid

There was no dividend paid during the current quarter.

10. Segmental Reporting

The Company and its principal subsidiaries operate principally within the tin industry in two business segments, namely tin smelting and tin mining.

The segmental reporting for the current financial year-to-date was as follows:

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Tin Mining (Discontinued operations) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue						
Sales to external customers	1,915,179	-	-	-	-	1,915,179
Inter-segment sales	3	152,821	1,796	-	(154,620)	-
Total revenue	1,915,182	152,821	1,796	-	(154,620)	1,915,179
Results						
Profit/(Loss) from operations	50,284	30,203	(15,225)*	(32,630)	33,207	65,839
Finance costs	(11,658)	(350)	(2,644)	-	-	(14,652)
Share of results of associates and joint ventures	-	-	(1,995)	-	-	(1,995)
Profit/(Loss) before exceptional items	38,626	29,853	(19,864)	(32,630)	33,207	49,192
Exceptional items	-	-	(4,200)	-	-	(4,200)
Profit/(Loss) before tax from continuing operations	38,626	29,853	(24,064)	(32,630)	33,207	44,992
Income tax expense	(13,929)	(7,989)	(270)	-	(144)	(22,332)
Profit/(Loss) from continuing operations	24,697	21,864	(24,334)	(32,630)	33,063	22,660
Loss from discontinued operations						(32,630)
Loss net of tax						**(9,970)**

*Includes the full provision for financial guarantee of USD3.0 million (RM9.64 million), impairment of receivables of RM6.13 million.

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Tin Mining (Discontinued operations) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Assets						
Segment assets	510,218	100,840	3,603	-	(1,292)	613,369
Investment in associates and joint ventures	-	-	71,318	-	-	71,318
Total assets	**510,218**	**100,840**	**74,921**	**-**	**(1,292)**	**684,687**
Liabilities						
Segment liabilities	**430,791**	**19,574**	**549**	**-**	**(449)**	**450,465**

11. Property, Plant and Equipment

The land and buildings have been revalued in December 2014, giving net revaluation surplus of RM3.7 million.

12. Subsequent Events

There was no material event subsequent to end of the current quarter up to 18 February 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, except for the following:

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

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

The results of BCL Group were as follows:

	6 months ended 30.06.2014 RM'000	**12 months ended 31.12.2013 RM'000**
Revenue	-	41,132
Loss from operations	(445)	(31,888)
Gross interest income	-	23
Gross interest expense	-	(705)
Loss on disposal of BCL Group	(25,343)	-
Loss before tax	(25,788)	(32,570)
Income tax expense	-	-
Loss for the period from discontinued operation	(25,788)	(32,570)

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

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

Sale consideration:

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

Cash inflow on sale:

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

b. Disposal of a subsidiary classified as discontinued operation

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

The results of PT MSCI were as follows:

	6 months ended 30.06.2014 RM'000	**12 months ended 31.12.2013 RM'000**
Revenue	-	-
Loss from operations	(3,338)	(4,274)
Loss on disposal of PT MSCI	(3,504)	-
Loss before tax	(6,842)	(4,274)
Income tax expense	-	-
Loss for the period from discontinued operation	(6,842)	(4,274)

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

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

Cash outflow on sale:

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

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

Loss from discontinued operations comprises the following:

	6 months ended 30.06.2014 RM'000	**12 months ended 31.12.2013 RM'000**
Results of BCL Group	25,788	32,570
Results of PT MSCI	6,842	4,274
	32,630	36,844

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

c. Acquisition of a subsidiary

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

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

Assets acquired and liabilities assumed

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

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

Cash outflow on acquisition:

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

14. Changes in Contingent Liabilities and Contingent Assets

Since 31 December 2013, there was no new development on the outstanding contingent liabilities or contingent assets as at 18 February 2015, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, other than the provision for financial guarantee as disclosed in Note 5.

15. Capital Commitments

The amount of capital commitments at 31 December 2014 was as follows:

	31.12.2014 RM'000
Approved but not contracted for	19,000
Contracted but not provided for	2,697
	21,697

16. Related Party Transactions

The following were significant related party transactions:

	12 months ended 31.12.2014
	RM'000
Sales of products to an associate	47,244

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:

	12 months ended 31.12.2014 RM'000
Current taxation	
Malaysian income tax	20,187
Under provision in prior years	920
Deferred tax	1,225
Total	22,332

The overall effective tax rate for the current year 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 18 February 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 31 December 2014 comprise the following:

	31.12.2014 RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	25,840
Bankers' acceptances	289,072
	314,912
Current portion of long term borrowings	21,009
	335,921

	31.12.2014 RM'000
b) Long Term Borrowings (unsecured)	
Term loan	5,208

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	7,380
Long term borrowings (US dollar)	7,487

Foreign currency trade finance is utilized 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 1.05% to 4.43% per annum (2013: 0.96% to 3.74% per annum) for the Group.

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

20. Derivative Financial Instruments

As at 31 December 2014, the Group had the following outstanding derivative financial instruments:-

Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain/(Loss) – Net of Tax RM'000
i. Interest Rate Swap Contract - 1 to 3 years	22,388	22,331	(43)
ii. Forward Currency Contracts - Less than 1 year	186,510	192,166	(4,302)
iii. Forward Commodity Contracts - 1 to 3 years	5,775	5,353	(321)

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 gain net of tax of RM437,000 in its income statement.

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

21. Changes in Material Litigation

Since 31 December 2013, there was no material litigation against the Group as at 18 February 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 profit of RM9.84 million before exceptional items in 4Q 2014 comparable to a profit of RM9.26 million before exceptional items in 3Q 2014.

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

Current Quarter 4Q 2014

Group revenue increased to RM525.44 million in 4Q 2014 compared with RM336.17 million in 4Q 2013 from continuing operations mainly due to higher sales quantity of refined tin in 4Q 2014. Average tin prices for 4Q 2014 was much lower compared with 4Q 2013.

The Group recorded a lower profit of RM9.84 million before exceptional items in 4Q 2014 compared with a profit of RM35.02 million before exceptional items in 4Q 2013 from continuing operations mainly due to higher cost pressures leading to a lower profit margin and a negative impact of foreign currency translation.

The Butterworth international smelting business recorded a lower profit before tax of RM8.60 million in 4Q 2014 (4Q 2013: RM28.54 million) mainly due to higher cost pressures leading to a lower profit margin and a negative impact of foreign currency translation.

Rahman Hydraulic Tin mining operations recorded a lower profit before tax of RM6.04 million in 4Q 2014 (4Q 2013: RM12.23 million) mainly due to lower sales quantity and lower average tin prices in 4Q 2014.

The associates and joint ventures recorded a net share of losses of RM3.36 million in 4Q 2014 (4Q 2013: a net share of losses of RM3.71 million).

Current Financial Year-to-date

Group revenue increased to RM1.92 billion for the year ended 31 December 2014 compared with RM1.58 billion in the previous year from continuing operations mainly due to higher sales quantity of refined tin.

The Group recorded a lower profit of RM49.19 million before exceptional items for the year 2014 compared with a profit of RM77.50 million before exceptional items for the year 2013 mainly due to provision for financial guarantee relating to the Company’s operations in Indonesia, higher cost pressures leading to a lower profit margin and a negative impact of foreign currency translation.

The Butterworth international smelting business recorded a lower profit before tax of RM38.62 million in 2014 (2013: RM65.82 million) mainly due to higher cost pressures leading to a lower profit margin and a negative impact of foreign currency translation.

Rahman Hydraulic Tin mining operations recorded a lower profit before tax of RM29.80 million in 2014 (2013: RM34.42 million) mainly due to higher mining costs.

The associates and joint ventures recorded a lower net share of losses of RM2.00 million in 2014 (2013: a net share of losses of RM19.72 million) mainly due to the absence of provision for mine closure/exit costs for the Rapu Rapu mine in the Philippines.

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

24. Current Year Prospects

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

Barring unforeseen circumstances and following the disposal of the Group's subsidiaries in Indonesia, the Group anticipates an improvement in the overall financial results in 2015 with positive contribution from operations of the Butterworth International Smelter and the Rahman Hydraulic Tin mine.

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

	12 months ended 31.12.2014	**12 months ended 31.12.2013**
Profit/(Loss) net of tax attributable to owners of the Company:		
- Profit from continuing operations (RM'000)	22,658	47,819
- Loss from discontinued operations (RM'000)	(32,523)	(31,036)
Total (RM'000)	(9,865)	16,783
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic/Diluted:		
- from continuing operations (sen)	22.6	47.8
- from discontinued operations (sen)	(32.5)	(31.0)
(Loss)/Earnings per share (sen)	(9.9)	16.8

26. Breakdown of Retained Earnings into Realised and Unrealised

	Current Quarter Ended 31.12.2014 RM'0000	Preceding Quarter Ended 30.09.2014 RM'0000
Total retained earnings of the Company and its subsidiaries:		
- Realised	25,071	11,896
- Unrealised	2,265	8,319
	27,336	20,215
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(6,675)	(6,451)
- Unrealised	298	298
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	20,016	23,156
- Unrealised	(11,545)	(11,544)
	29,430	25,674
Add: Consolidation adjustments	6,516	10,783
Retained earnings as per financial statements	35,946	36,457

27. Dividend Payable

No dividend is declared for the quarter ended 31 December 2014.

The directors also do not recommend the payment of any final dividend for the financial year ended 31 December 2014.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
24 February 2015

Appendix A – Reconciliations of MFRSs with Singapore FRSs

Foreign currency translation reserve

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 2013: RM28,067,000; 31 December 2014: 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 2013

	MFRS as at 31.12.2013	Foreign currency translation reserves	Singapore FRSs as at 31.12.2013
	RM'000	RM'000	RM'000
Equity			
Other reserves	7,263	(5,712)	1,551
Retained earnings	46,102	28,067	74,169
Reserves of disposal group classified as held for sale	(6,969)	(22,355)	(29,324)

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