

(Tempatan 43072 - A)
MALAYSIA SMELTING CORPORATION BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

	As at 30.09.2016 Unaudited RM'000	As at 31.12.2015 Audited RM'000
Assets		
	Note	
Non-current assets		
Property, plant and equipment	94,526	98,893
Prepaid land lease payments	781	806
Base inventory	3,000	3,000
Intangible assets	7,233	7,930
Investment in associates and joint ventures	52,124	84,469
Investment securities	19,287	12,930
Other non-current assets	14,614	12,375
Other receivables	-	5,637
Deferred tax assets	2,827	2,099
	<u>194,392</u>	<u>228,139</u>
Current assets		
Inventories	325,426	269,115
Trade and other receivables	60,306	162,520
Other current assets	2,543	3,027
Tax recoverable	7,277	10,327
Cash, bank balances and deposits	62,451	133,874
	<u>458,003</u>	<u>578,863</u>
Total assets	<u>652,395</u>	<u>807,002</u>
Equity and liabilities		
Current liabilities		
Provisions	9,635	9,635
Borrowings	224,262	392,049
Trade and other payables	123,354	134,421
Current tax payable	1,583	185
Derivative financial instruments	2,074	10,064
	<u>360,908</u>	<u>546,354</u>
Net current assets	97,095	32,509
Non-current liabilities		
Provisions	18,540	18,000
Deferred tax liabilities	1,394	1,394
	<u>19,934</u>	<u>19,394</u>
Total liabilities	<u>380,842</u>	<u>565,748</u>
Net assets	271,553	241,254
Equity attributable to owners of the Company		
Share capital	100,000	100,000
Share premium	76,372	76,372
Other reserves	38,479	33,435
Retained earnings	56,407	31,151
	<u>271,258</u>	<u>240,958</u>
Non-controlling interest	295	296
Total Equity	<u>271,553</u>	<u>241,254</u>
Total equity and liabilities	<u>652,395</u>	<u>807,002</u>

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

(Tempatan 43072 -A)
MALAYSIA SMELTING CORPORATION BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 30 September 2016

	Note	← 3 rd Quarter → 3 months ended		← Year to Date → 9 months ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Revenue	B2	323,125	384,095	1,127,805	1,110,206
Profit from operations		17,860	29,216	82,545	11,814
Gross interest income		413	1,206	3,039	3,934
Gross interest expense		(2,203)	(2,780)	(9,169)	-9,615
Share of results of associates and joint ventures	B3	708	1,136	(29,819)	1,488
Profit before tax	B2	16,778	28,778	46,596	7,621
Income tax credit/(expense)	B4	520	(8,357)	(14,646)	-4,999
Profit net of tax		17,298	20,421	31,950	2,622
Attributable to:					
Owners of the Company		17,299	20,421	31,951	2,626
Non-controlling interest		(1)	-	(1)	(4)
		17,298	20,421	31,950	2,622
Earnings per share attributable to owners of the Company (sen):	B12				
Basic/Diluted		17.3	20.4	32.0	2.6
Proposed/Declared dividend per share (sen)	B14	-	-	-	-
				As at end of current quarter	As at preceding financial year end
Net assets per share attributable to owners of the Company (RM)				2.71	2.41

The unaudited condensed consolidated income statement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 September 2016

	3 rd Quarter		Year to Date	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	17,298	20,421	31,950	2,622
Items that will not be reclassified to profit or loss:				
Net fair value changes in quoted shares at Fair Value through Other Comprehensive Income ("FVOCI")	578	-	4,831	-
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	(3)	(9)	2	(11)
Net fair value changes on available-for-sale investment securities	-	(242)	-	932
Net fair value changes on cash flow hedges	(1,549)	(15,408)	5,932	(12,723)
Share of foreign currency translation of a joint venture	1,635	9,182	(2,527)	13,715
	<u>83</u>	<u>(6,477)</u>	<u>3,407</u>	<u>1,913</u>
Other comprehensive income for the period, net of tax	661	(6,477)	8,238	1,913
Total comprehensive income for the period	<u>17,959</u>	<u>13,944</u>	<u>40,188</u>	<u>4,535</u>
Total comprehensive income attributable to:				
Owners of the Company	17,960	13,944	40,189	4,539
Non-controlling interest	(1)	-	(1)	(4)
	<u>17,959</u>	<u>13,944</u>	<u>40,188</u>	<u>4,535</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

(Tempatan 43072 -A)
MALAYSIA SMELTING CORPORATION BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 September 2016

Note	Total equity RM'000	Equity attributable to owners of the Company, total RM'000	Attributable to owners of the Company							Retained earnings RM'000	Non-controlling interest RM'000
			Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	Available- for-sale ("AFS") reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000		
At 1 January 2016 (as previously stated)	241,254	240,958	100,000	76,372	28,845	11,313	391	-	(7,114)	31,151	296
Effect of adoption of MFRS 9	(9,889)	(9,889)	-	-	-	-	(391)	(2,803)	-	(6,695)	-
At 1 January 2016 (as restated)	231,365	231,069	100,000	76,372	28,845	11,313	-	(2,803)	(7,114)	24,456	296
Profit/(Loss) for the period	31,950	31,951	-	-	-	-	-	-	-	31,951	(1)
Other comprehensive income	8,238	8,238	-	-	-	(2,525)	-	4,831	5,932	-	-
Total comprehensive income	40,188	40,189	-	-	-	(2,525)	-	4,831	5,932	31,951	(1)
At 30 September 2016	271,553	271,258	100,000	76,372	28,845	8,788	-	2,028	(1,182)	56,407	295

(Tempatan 43072 -A)
MALAYSIA SMELTING CORPORATION BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
for the period ended 30 September 2015

	Attributable to owners of the Company										
	← Non - Distributable					→ Distributable					
	Total equity RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	AFS reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Retained earnings RM'000	Non-controlling interest RM'000
At 1 January 2015	234,222	233,921	100,000	76,372	24,666	(736)	2,259	-	(4,586)	35,946	301
Profit/(Loss) for the period	2,622	2,626	-	-	-	-	-	-	-	2,626	(4)
Other comprehensive income	1,913	1,913	-	-	-	13,704	932	-	(12,723)	-	-
Total comprehensive income	4,535	4,539	-	-	-	13,704	932	-	(12,723)	2,626	(4)
At 30 September 2015	238,757	238,460	100,000	76,372	24,666	12,968	3,191	-	(17,309)	38,572	297

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

(Tempatan 43072 - A)
MALAYSIA SMELTING CORPORATION BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 September 2016

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Operating activities		
Operating cash flows before changes in working capital	72,911	30,538
Increase in inventories	(38,911)	(40,467)
Decrease in receivables	93,574	2,560
(Decrease)/Increase in payables	(9,957)	69,556
Decrease in amount due to holding company	(9)	(6)
Decrease/(Increase) in amount due from associates and joint ventures	2,498	(1,216)
Cash generated from operations	120,106	60,965
Income tax paid	(13,316)	(11,929)
Interest paid	(8,224)	(9,765)
Net cash generated from operating activities	98,566	39,271
Investing activities		
Interest received	2,764	3,484
Payment for deferred mine exploration and evaluation expenditures and mine properties	(2,990)	(1,830)
Withdrawal of deposits of more than three months maturity with licensed banks	3,234	-
Proceeds from disposal of property, plant and equipment	84	12
Purchase of an investment security	-	(7,925)
Purchase of property, plant and equipment	(2,391)	(3,742)
Net cash generated from/(used in) investing activities	701	(10,001)
Financing activities		
Repayment of short term trade financing and other borrowings	(161,487)	(9,975)
Repayment of term loans	(6,011)	(15,757)
Net cash used in financing activities	(167,498)	(25,732)
Net (decrease)/increase in cash and cash equivalents	(68,231)	3,538
Effect of changes in foreign exchange rates	1	28
Cash and cash equivalents as at 1 January	127,191	116,936
Cash and cash equivalents as at 30 September	58,961	120,502
	2016	2015
Cash and bank balances comprise the following at 30 September:	RM'000	RM'000
Cash and short term deposits	58,961	120,502
Deposits of more than three months maturity with licensed banks	3,490	1,423
	62,451	121,925

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

A2. Changes in Accounting Policies

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

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

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

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

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

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

Amendments to MFRS 101: Disclosure Initiative

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

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

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

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

MFRS 9: Financial Instruments

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

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

iii) Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 2: Classification and Measurement of Share-based Payment transactions	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group is in the process of assessing the impact of the above pronouncements.

A3. Seasonal or Cyclical Factors

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

A4. Unusual Items

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

A5. Changes in Estimates

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

A6. Issuance and Repayment of Debt and Equity Securities

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

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A7. Dividend Paid

There was no dividend paid during the current quarter.

A8. Segmental Reporting

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

The segmental reporting for the current financial year-to-date and the comparative period were as follows:

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
9 months ended 30 September 2016					
Revenue					
Sales to external customers	1,127,805	-	-	-	1,127,805
Inter-segment sales	-	121,568	1,347	(122,915)	-
Total revenue	1,127,805	121,568	1,347	(122,915)	1,127,805
Results					
Profit from operations	63,375	22,643	439	(333)	86,124
Finance costs	(8,082)	(540)	(1,087)	-	(9,709)
Share of results of associates and joint ventures	-	-	(29,819)	-	(29,819)
Profit/(Loss) before tax	55,293	22,103	(30,467)	(333)	46,596
Income tax (expense)/credit	(8,859)	(5,709)	(156)	78	(14,646)
Profit/(Loss) net of tax	46,434	16,394	(30,623)	(255)	31,950
9 months ended 30 September 2015					
Revenue					
Sales to external customers	1,110,206	-	-	-	1,110,206
Inter-segment sales	-	67,210	1,347	(68,557)	-
Total revenue	1,110,206	67,210	1,347	(68,557)	1,110,206
Results					
Profit from operations	7,385	7,152	373	1,110	16,020
Finance costs	(8,035)	(272)	(1,580)	-	(9,887)
Share of results of associates and joint ventures	-	-	1,488	-	1,488
(Loss)/Profit before tax	(650)	6,880	281	1,110	7,621
Income tax expense	(2,675)	(1,850)	(197)	(277)	(4,999)
(Loss)/Profit net of tax	(3,325)	5,030	84	833	2,622

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Segmental Reporting (cont'd)

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 30 September 2016					
Assets					
Segment assets	520,403	61,211	19,518	(861)	600,271
Investment in associates and joint ventures	-	-	52,124	-	52,124
Total assets	520,403	61,211	71,642	(861)	652,395
Liabilities					
Segment liabilities	350,424	30,414	453	(449)	380,842
At 31 December 2015					
Assets					
Segment assets	608,464	111,985	2,690	(606)	722,533
Investment in associates and joint ventures	-	-	84,469	-	84,469
Total assets	608,464	111,985	87,159	(606)	807,002
Liabilities					
Segment liabilities	534,178	31,410	609	(449)	565,748

A9. Property, Plant and Equipment

The same valuation of land and buildings has been brought forward from the previous audited financial statements for the year ended 31 December 2015.

A10. Subsequent Events

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

A11. Changes in the Composition of the Group

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

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A12. Changes in Contingent Liabilities and Contingent Assets

Since 31 December 2015, there were no changes in contingent liabilities or contingent assets as at 29 October 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

A13. Capital Commitments

The amount of capital commitments at 30 September 2016 was as follows:

	30.09.2016 RM'000
Approved and contracted for	46,395
Approved but not contracted for	30,749
	77,144

A14. Related Party Transactions

The following were significant related party transactions:

	9 months ended 30.09.2016 RM'000
Sales of products to an associate	32,657

The above transactions were entered in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A15. Fair Value of Assets and Liabilities

As at 30 September 2016, the Group's quoted equity instruments fair value of RM19,287,000 (31 December 2015: RM12,930,000) is at Level 1 which is determined directly by reference to the published market closing price at the reporting date. The Group also held forward currency contracts and forward commodity contracts carried at fair value of approximately RM2,074,000 (31 December 2015: RM10,064,000) based on Level 2: significant observable inputs for identical assets or liabilities. There was no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial assets/liabilities that may subsequently resulted in a different classification of that assets/liabilities during the quarter.

The Group held freehold land and buildings amounting to RM48,379,000 (31 December 2015: RM48,967,000) carried at Level 3: significant unobservable inputs.

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

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

B1. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2015 was not qualified.

B2. Profit/(Loss) Before Tax

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

	3rd Quarter ended 30.09.2016 RM'000	Year to date ended 30.09.2016 RM'000
After charging/(crediting):		
Depreciation and amortization	2,731	8,203
Fair value loss/(gain) in derivative financial instruments	22	(184)
Favourable valuation adjustment on tin inventory	(700)	(17,400)
Gain on disposal of property, plant and equipment	(1)	(59)
Impairment of receivables	16	16
Net foreign exchange gain	(288)	(15,933)
Other income including investment income	(139)	(2,110)
Property, plant and equipment written off	-	1
(Gain)/Loss on disposal of investment securities	-	-
Impairment of investment in associates and joint ventures	-	-

Restatement of revenue for the period ended 30 September 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	Year to date ended 30.09.2015 RM'000
Revenue	381,640	452,975	557,485	1,392,100
Less: Adjustments	-	(108,504)	(173,390)	(281,894)
Restated revenue	<u>381,640</u>	<u>344,471</u>	<u>384,095</u>	<u>1,110,206</u>

The adjustments involved revenue and cost of sales and had no financial impact to the profit or loss for the affected quarters in 2015.

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

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

B3. Share of Results of Associates and Joint Ventures

The Group's share of results of associates and joint ventures recorded a net share of losses of RM29.82 million in 9 months 2016 compared with a net share of profit of RM1.49 million in 9 months 2015. This was mainly due to higher share of losses from KM Resources, Inc. arising from provision of additional prior years tax liabilities in 2Q 2016.

B4. Income Tax Credit/(Expense)

Income tax credit/(expense) comprises the following:

	3 months ended 30.09.2016 RM'000	9 months ended 30.09.2016 RM'000
Income tax		
- Current provision	(1,964)	(17,423)
- Under provision in prior years	(342)	(342)
	(2,306)	(17,765)
Deferred tax		
- Relating to origination and reversal of temporary differences	(2,485)	(2,252)
- Over provision in prior year	5,311	5,371
	2,826	3,119
Total income tax credit/(expense)	520	(14,646)

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 and reversal of over provision in deferred tax.

B5. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 29 October 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report except that on 15 June 2016, M Smelt (C) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into the following agreements with Metal Reclamation (Industries) Sdn. Bhd. (Receiver and Manager Appointed):

- a) the conditional sale and purchase agreement for three (3) plots of leasehold industrial land with the buildings built thereon, measuring approximately 48,753.57 square meters in Lot 6, 8 & 9 Jalan Perigi Nanas 6/1 Pulau Indah Industrial Park, West Port 42920 Port Klang, Selangor ("Properties") for a purchase consideration of RM32.5 million; and

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

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

B5. Status of Corporate Proposal (cont'd)

- b) the conditional asset sale agreement for the plant and machinery on the Properties for a purchase consideration of RM17.5 million.

Barring any unforeseen circumstances, the above proposed acquisitions are expected to be completed by the fourth quarter of 2016.

B6. Interest-Bearing Loans and Borrowings

Group borrowings as at 30 September 2016 comprise the following:

	As at 30.09.2016 RM'000
Short Term Borrowings (unsecured)	
Foreign currency trade finance	3,226
Bankers' acceptances	221,036
	224,262

Amount denominated in foreign currency	'000
Foreign currency trade finance (US dollar)	778

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 1.25% to 4.52% per annum (2015: 0.93% to 4.50% per annum) for the Group.

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

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

B7. Derivative Financial Instruments

As at 30 September 2016, the Group had the following outstanding derivative financial instruments:-

Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain/(Loss) – Net of Tax RM'000
i. Forward Currency Contracts - Less than 1 year	135,700	137,305	(742)
ii. Forward Commodity Contracts - Less than 1 year	5,825	5,407	(835)

The 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 RM140,000 relating to the ineffective portion of the hedges in its income statement.

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

B8. Changes in Material Litigation

Since 31 December 2015, there was no material litigation against the Group as at 29 October 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

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

The Group recorded a profit before tax of RM16.78 million in 3Q 2016 compared with a loss before tax of RM3.01 million in 2Q 2016. This was mainly due to the associates and joint ventures recording a net share of losses of RM30.88 million in 2Q 2016.

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

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

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

Current Quarter 3Q 2016

The Group recorded a revenue of RM323.13 million in 3Q 2016, 15.9% lower compared with RM384.10 million in 3Q 2015. This was mainly due to lower production of refined tin arising from lower receipt of feed materials in 3Q 2016.

Group profit before tax was RM16.78 million in 3Q 2016 compared with RM28.78 million in 3Q 2015. This was mainly due to lower revenue and lower favourable valuation adjustment on tin inventory compared with 3Q 2015.

The Butterworth international smelting business recorded a profit before tax of RM5.59 million in 3Q 2016 compared with RM26.83 million in 3Q 2015. This was mainly due to lower revenue and lower favourable valuation adjustment on tin inventory compared with 3Q 2015.

Rahman Hydraulic Tin mining operations recorded a profit before tax of RM11.14 million in 3Q 2016 compared with RM1.20 million in 3Q 2015. This was mainly due to higher tin prices and higher sales quantity in 3Q 2016.

Current Financial Year-to-date

The Group recorded a revenue of RM1.13 billion in the 9 months (9M) of the current financial year, 2% higher as compared with RM1.11 billion in 9M 2015.

Group profit before tax was RM46.60 million in 9M 2016 compared with RM7.62 million in 9M 2015. This was mainly due to higher tin prices, better profit margin, a favourable valuation adjustment on tin inventory and a positive impact from foreign exchange differences.

The Butterworth international smelting business recorded a profit before tax of RM55.29 million in 9M 2016 compared with a loss before tax of RM0.65 million in 9M 2015. This was mainly due to higher tin prices, better profit margin, a favourable valuation adjustment on tin inventory and a positive impact from foreign exchange differences.

Rahman Hydraulic Tin mining operations recorded a profit before tax of RM22.1 million in 9M 2016 compared with RM6.90 million in 9M 2015. This was mainly due to higher sales quantity and higher tin prices in 9M 2016.

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

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

B11. Current Year Prospects

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

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

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

	9 months ended 30.09.2016	9 months ended 30.09.2015
Profit net of tax attributable to owners of the Company:	31,951	2,626
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic/Diluted earnings per share (sen)	<u>32.0</u>	<u>2.6</u>

Notes to the Interim financial report for the Third Quarter ended 30 September 2016

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

B13. Breakdown of Retained Earnings into Realised and Unrealised

	As at end of current quarter RM'000	As at preceding financial year end RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	70,428	25,029
- Unrealised	5,701	(4,243)
	76,129	20,786
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(3,676)	(4,719)
- Unrealised	459	283
Total share of (accumulated losses)/retained earnings from joint ventures:		
- Realised	(11,166)	19,784
- Unrealised	(11,659)	(11,571)
	50,087	24,563
Add: Consolidation adjustments	6,320	6,588
Retained earnings as per financial statements	56,407	31,151

B14. Dividend Payable

No dividend is declared for the quarter ended 30 September 2016.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
4 November 2016