
MALAYSIA SMELTING CORPORATION BERHAD

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		As at 30.06.2017 Unaudited RM'000	As at 31.12.2016 Audited RM'000
Assets	Note		
Non-current assets			
Property, plant and equipment		153,073	154,615
Prepaid land lease payments		757	773
Base inventory		3,000	3,000
Intangible assets		6,588	6,995
Investment in associates and joint ventures		37,224	37,336
Investment securities		26,394	23,423
Other non-current assets		14,794	15,025
Deferred tax assets		5,235	3,986
		247,065	245,153
Current assets			
Inventories		382,888	374,249
Trade receivables		24,902	30,733
Other receivables		8,821	12,969
Trade prepayments		39,345	36,267
Other prepayments		3,972	3,352
Tax recoverable		12,699	11,480
Cash, bank balances and deposits		54,284	80,391
		526,911	549,441
Total assets		773,976	794,594
Equity and liabilities			
Current liabilities			
Provisions		12,035	12,035
Borrowings	B5	264,574	289,187
Trade and other payables		104,684	126,159
Dividend payable	B13	8,000	-
Current tax payable		8,362	5,338
Derivative financial instruments		202	2,676
		397,857	435,395
Net current assets		129,054	114,046
Non-current liabilities			
Provisions		27,239	26,728
Deferred tax liabilities		1,505	1,959
Borrowings	B5	50,452	50,282
Derivative financial instruments		560	847
		79,756	79,816
Total liabilities		477,613	515,211
Net assets		296,363	279,383
Equity attributable to owners of the Company			
Share capital		176,372	100,000
Share premium		-	76,372
Other reserves		41,725	38,383
Retained earnings		77,972	64,334
		296,069	279,089
Non-controlling interest		294	294
Total Equity		296,363	279,383
Total equity and liabilities		773,976	794,594
Net assets per share attributable to owners of the Company (RM)		2.96	2.79

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 JUNE 2017**

	Note	2 nd Quarter		Year Date	
		3 months ended		6 months ended	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
		RM'000	RM'000	RM'000	RM'000
Revenue		307,879	396,279	714,493	804,680
Operating profit		15,146	30,808	35,840	67,671
Finance costs		(3,542)	(2,946)	(6,783)	(7,326)
Share of results of associates and joint ventures		278	(30,876)	525	(30,527)
Profit/(Loss) before tax	B2	11,882	(3,014)	29,582	29,818
Income tax expense	B3	(2,867)	(7,270)	(7,944)	(15,166)
Profit/(Loss) net of tax		9,015	(10,284)	21,638	14,652
Attributable to:					
Owners of the Company		9,015	(10,284)	21,638	14,652
Non-controlling interest		-	-	-	-
		9,015	(10,284)	21,638	14,652
Earnings/(Loss) per share attributable to owners of the Company (sen):					
Basic and diluted	B11	9.0	(10.3)	21.6	14.7

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

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

	2 nd Quarter		Year to Date	
	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) net of tax	9,015	(10,284)	21,638	14,652
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	1,940	4,826	2,258	4,253
Items that may be subsequently reclassified to profit or loss:				
Net fair value changes on cash flow hedges	-	(1,202)	1,720	7,481
Share of foreign currency translation of an associate and a joint venture	(442)	680	(636)	(4,157)
	<u>(442)</u>	<u>(522)</u>	<u>1,084</u>	<u>3,324</u>
Other comprehensive income for the period, net of tax	1,498	4,304	3,342	7,577
Total comprehensive income for the period	<u>10,513</u>	<u>(5,980)</u>	<u>24,980</u>	<u>22,229</u>
Total comprehensive income attributable to:				
Owners of the Company	10,513	(5,980)	24,980	22,229
Non-controlling interest	-	-	-	-
	<u>10,513</u>	<u>(5,980)</u>	<u>24,980</u>	<u>22,229</u>

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

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

RM'000	Note	Attributable to owners of the Company							Total	Non-controlling interest	Total equity	
		Non - Distributable				Distributable						
		Share capital	Share premium	Revaluation reserves	Foreign currency translation reserves	Available-for-sale reserves	FVOCI reserves	Hedging reserves	Retained earnings			
At 1 January 2017		100,000	76,372	31,726	3,206	-	5,171	(1,720)	64,334	279,089	294	279,383
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note a)		76,372	(76,372)	-	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	-	-	21,638	21,638	-	21,638
Other comprehensive income		-	-	-	(636)	-	2,258	1,720	-	3,342	-	3,342
Total comprehensive income		-	-	-	(636)	-	2,258	1,720	21,638	24,980	-	24,980
Transactions with owners of the Company:												
Dividend payable	B13	-	-	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)
At 30 June 2017		176,372	-	31,726	2,570	-	7,429	-	77,972	296,069	294	296,363
At 1 January 2016		100,000	76,372	28,845	11,313	391	-	(7,114)	31,151	240,958	296	241,254
Effect of MFRS 9 <i>Financial Instruments</i> adoption		-	-	-	-	(391)	(2,803)	-	(1,151)	(4,345)	-	(4,345)
At 1 January 2016 (restated)		100,000	76,372	28,845	11,313	-	(2,803)	(7,114)	30,000	236,613	296	236,909
Profit for the period		-	-	-	-	-	-	-	14,652	14,652	-	14,652
Other comprehensive income		-	-	-	(4,157)	-	4,253	7,481	-	7,577	-	7,577
Total comprehensive income		-	-	-	(4,157)	-	4,253	7,481	14,652	22,229	-	22,229
At 30 June 2016		100,000	76,372	28,845	7,156	-	1,450	367	44,652	258,842	296	259,138

Note a

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

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

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

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

	6 months ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Operating activities		
Operating cash flows before changes in working capital	40,686	51,663
Increase in inventories	(9,026)	(7,926)
Decrease/(Increase) in trade and other receivables	16,141	(28,223)
(Increase)/Decrease in trade prepayments	(3,078)	102,013
Increase in other prepayments	(808)	(1,057)
Decrease in payables	(20,443)	(26,312)
Decrease in amount due to holding company	(600)	(9)
(Increase)/Decrease in amount due from associates and joint ventures	(5,818)	708
Cash generated from operations	17,054	90,857
Income tax paid	(9,098)	(5,259)
Interest paid	(6,115)	(5,842)
Net cash generated from operating activities	1,841	79,756
Investing activities		
Interest received	793	1,943
Payment for deferred mine exploration and evaluation expenditures and mine properties	(277)	(1,912)
Payment for intangible assets	(65)	-
Withdrawal of deposits of more than three months maturity with licensed banks	-	3,234
Proceeds from disposal of property, plant and equipment	187	83
Purchase of property, plant and equipment	(4,743)	(2,091)
Net cash (used in)/generated from investing activities	(4,105)	1,257
Financing activities		
Repayment of short term trade financing and other borrowings	(24,401)	(155,679)
Repayment of term loan	-	(6,011)
Net cash used in financing activities	(24,401)	(161,690)
Net decrease in cash and cash equivalents	(26,665)	(80,677)
Effect of changes in foreign exchange rates	558	38
Cash and cash equivalents as at 1 January	76,873	127,191
Cash and cash equivalents as at 30 June	50,766	46,552
	2017	2016
Cash and bank balances comprise the following at 30 June:	RM'000	RM'000
Cash and short term deposits	50,766	46,552
Deposits of more than three months maturity with licensed banks	3,518	3,476
	54,284	50,028

Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 January 2017	Cash flows	Non-cash changes Foreign exchange movement	Carrying amount as at 30 June 2017
	RM'000	RM'000	RM'000	RM'000
Short term borrowings	289,187	(24,401)	(212)	264,574
Term loan	50,282	-	170	50,452
Total liabilities from financing activities	339,469	(24,401)	(42)	315,026

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

These condensed consolidated Interim Financial Report have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

These explanatory notes attached to the Interim Financial Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

A2. Changes in Accounting Policies

i) Amendments and Annual Improvements adopted by the Group

The significant accounting policies adopted in the preparation of the Interim Financial Report are consistent with those used in the preparation of the Group's audited financial statements for the financial year ended 31 December 2016 except for the adoption of the pronouncements that became effective from 1 January 2017.

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

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

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. The amendments affect presentation and disclosure in financial statements only and have no impact on the Group's financial position or performance.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

ii) Standards, Amendments and Annual Improvements issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

MFRS 15 Revenue from Contracts with Customers

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

The core principle of MFRS 15 is that an entity should recognise revenue which 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 currently assessing the impact of MFRS 15.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Changes in Accounting Policies (cont'd)

ii) Standards, Amendments and Annual Improvements issued but not yet effective (cont'd)

MFRS 16 Leases

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

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

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

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

The Group is currently assessing the impact of MFRS 16.

A3. Seasonal or Cyclical Factors

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

A4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter and financial year-to-date ended 30 June 2017.

A5. Significant Changes in Estimates

There were no significant changes in estimates that have had a material effect during the current quarter and financial year-to-date ended 30 June 2017.

A6. Debt and Equity Securities

There were no issuance and repayment of debts and equity securities during the current quarter and financial year-to-date ended 30 June 2017.

A7. Dividend Paid

There was no dividend paid during the current financial period ended 30 June 2017 and previous corresponding financial period ended 30 June 2016.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Segmental Reporting

The revenue of the Group is derived from tin mining and smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sale and delivery of refined tin metal and by-products.

For management purposes, the Group is organised into three reportable operating segments as follows:

(a) Tin Smelting

Tin smelting includes the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sale and delivery of refined tin metal and by-products.

(b) Tin Mining

Tin mining includes activities involving exploration for and mining of tin.

(c) Others

These include investments in other metal and mineral resources to form a reportable operating segment.

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

	Tin Smelting	Tin Mining	Others	Sub-total	(Eliminations)/ Adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results for 3 months ended 30 June 2017						
Revenue						
Sales to external customers	307,879	-	-	307,879	-	307,879
Inter-segment sales	-	46,587	-	46,587	(46,587)	-
Total revenue	307,879	46,587	-	354,466	(46,587)	307,879
Results						
Operating (loss)/profit	(598)	13,408	(23)	12,787	2,359	15,146
Finance costs	(3,055)	(255)	(232)	(3,542)	-	(3,542)
Share of results of associates and joint ventures	-	-	278	278	-	278
(Loss)/Profit before tax	(3,653)	13,153	23	9,523	2,359	11,882
Income tax expense	1,462	(3,763)	-	(2,301)	(566)	(2,867)
(Loss)/Profit net of tax	(2,191)	9,390	23	7,222	1,793	9,015

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Segmental Reporting (cont'd)

	Tin Smelting	Tin Mining	Others	Sub-total	(Eliminations)/ Adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results for 3 months ended 30 June 2016						
Revenue						
Sales to external customers	396,279	-	-	396,279	-	396,279
Inter-segment sales	-	34,863	449	35,312	(35,312)	-
Total revenue	396,279	34,863	449	431,591	(35,312)	396,279
Results						
Operating profit	25,661	4,920	227	30,808	-	30,808
Finance costs	(2,340)	(180)	(426)	(2,946)	-	(2,946)
Share of results of associates and joint ventures	-	-	(30,876)	(30,876)	-	(30,876)
Profit/(Loss) before tax	23,321	4,740	(31,075)	(3,014)	-	(3,014)
Income tax expense	(5,986)	(1,215)	(69)	(7,270)	-	(7,270)
Profit/(Loss) net of tax	17,335	3,525	(31,144)	(10,284)	-	(10,284)
Results for 6 months ended 30 June 2017						
Revenue						
Sales to external customers	714,493	-	-	714,493	-	714,493
Inter-segment sales	-	94,898	-	94,898	(94,898)	-
Total revenue	714,493	94,898	-	809,391	(94,898)	714,493
Results						
Operating profit/(loss)	7,586	28,380	(47)	35,919	(79)	35,840
Finance costs	(5,827)	(511)	(445)	(6,783)	-	(6,783)
Share of results of associates and joint ventures	-	-	525	525	-	525
Profit/(Loss) before tax	1,759	27,869	33	29,661	(79)	29,582
Income tax expense	(407)	(7,556)	-	(7,963)	19	(7,944)
Profit/(Loss) net of tax	1,352	20,313	33	21,698	(60)	21,638

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Segmental Reporting (cont'd)

	Tin Smelting	Tin Mining	Others	Sub- total	(Eliminations)/ Adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results for 6 months ended 30 June 2016						
Revenue						
Sales to external customers	804,680	-	-	804,680	-	804,680
Inter-segment sales	-	77,057	898	77,955	(77,955)	-
Total revenue	804,680	77,057	898	882,635	(77,955)	804,680
Results						
Operating profit	55,835	11,323	304	67,462	209	67,671
Finance costs	(6,131)	(360)	(835)	(7,326)	-	(7,326)
Share of results of associates and joint ventures	-	-	(30,527)	(30,527)	-	(30,527)
Profit/(Loss) before tax	49,704	10,963	(31,058)	29,609	209	29,818
Income tax expense	(12,105)	(2,905)	(104)	(15,114)	(52)	(15,166)
Profit/(Loss) net of tax	37,599	8,058	(31,162)	14,495	157	14,652

Assets and Liabilities as at 30 June 2017

Assets

Segment assets	645,551	69,587	26,606	741,744	(4,992)	736,752
Investment in associates and joint ventures	-	-	37,224	37,224	-	37,224
Total assets	645,551	69,587	63,830	778,968	(4,992)	773,976

Liabilities

Segment liabilities	424,822	52,675	116	477,613	-	477,613
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Assets and Liabilities as at 31 December 2016

Assets

Segment assets	670,061	68,936	23,642	762,639	(5,381)	757,258
Investment in associates and joint ventures	-	-	37,336	37,336	-	37,336
Total assets	670,061	68,936	60,978	799,975	(5,381)	794,594

Liabilities

Segment liabilities	468,281	46,899	480	515,660	(449)	515,211
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. Property, Plant and Equipment

The same valuation of land and buildings has been brought forward from the previous audited financial statements for the year ended 31 December 2016.

A10. Event After the Reporting Period

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

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date ended 30 June 2017.

A12. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities or contingent assets during the current quarter and financial year-to-date ended 30 June 2017.

A13. Capital Commitments

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

	30.06.2017 RM'000	31.12.2016 RM'000
Approved and contracted for	17,143	287
Approved but not contracted for	11,859	29,098
	29,002	29,385

A14. Related Party Transactions

There were no significant transactions with related party in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2016.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A15. Fair Value of Assets and Liabilities

The Group classified fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2017				
Assets measured at fair value:				
Land and buildings	-	-	83,339	83,339
Investment securities	26,394	-	-	26,394
Liabilities measured at fair value:				
Derivative financial instruments	-	762	-	762
At 31 December 2016				
Assets measured at fair value:				
Land and buildings	-	-	83,755	83,755
Investment securities	23,423	-	-	23,423
Liabilities measured at fair value:				
Derivative financial instruments	-	3,523	-	3,523

There has been no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial assets/liabilities that may subsequently resulted in a different classification of that assets/liabilities during the current quarter and financial year-to-date ended 30 June 2017.

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

B1. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was unqualified.

B2. Profit/(Loss) Before Tax

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

	2nd Quarter ended 30.06.2017 RM'000	2nd Quarter ended 30.06.2016 RM'000	6 months ended 30.06.2017 RM'000	6 months ended 30.06.2016 RM'000
<i>After charging/(crediting):</i>				
Depreciation and amortisation	3,525	2,726	6,910	5,472
Fair value loss/(gain) in derivative financial instruments				
- Forward currency contracts	1,156	659	(498)	447
- Forward commodity contracts	-	(190)	-	(653)
Net foreign exchange gain	(3,257)	(6,910)	(123)	(15,645)
(Gain)/Loss on disposal of property, plant and equipment	(4)	-	180	(58)
Interest income	(305)	(819)	(826)	(2,626)
Other income including investment income	(618)	(53)	(727)	(1,971)
Unfavourable/(Favourable) inventory valuation adjustment	387	(6,600)	387	(16,700)

B3. Income Tax (Expense)/Credit

Income tax (expense)/credit comprises the following:

	2nd Quarter ended 30.06.2017 RM'000	2nd Quarter ended 30.06.2016 RM'000	6 months ended 30.06.2017 RM'000	6 months ended 30.06.2016 RM'000
Income tax				
- Current provision	(5,012)	(7,566)	(10,904)	(15,459)
Deferred tax				
- Relating to origination and reversal of temporary differences	2,145	296	2,960	293
Total income tax expense	(2,867)	(7,270)	(7,944)	(15,166)

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

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

B4. Corporate Proposal

There was no corporate proposal announced but not completed as at 1 August 2017, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report.

B5. Loans and Borrowings

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

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
a) Short Term Borrowings (unsecured)		
Foreign currency trade finance	18,260	33,011
Bankers' acceptances	246,314	256,176
	264,574	289,187
b) Long Term Borrowings (unsecured)		
Term loan	50,452	50,282
	315,026	339,469

Amount denominated in foreign currency	'000	'000
Foreign currency trade finance (US dollars)	4,252	7,361
Term loan (Singapore dollars)	16,200	16,200

During the 6 months ended 30 June 2017, the Group reduced its total borrowings by approximately 7.2% from RM339.5 million as at 31 December 2016 to RM315.0 million as at 30 June 2017 due to repayment of short term trade financing and other borrowings. Consequentially, the gearing ratio reduced to 1.1 times as at 30 June 2017 from 1.2 times as at 31 December 2016.

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

B6. Foreign Currency Exposure and Hedging Policy

The Group has exposure to fluctuations in foreign exchange rates in both the investment in foreign entities and business transactions. The Group's foreign exchange risk exposure is mainly in United States Dollar and Singapore Dollar.

Due to the concentration of its purchases and sales in United States Dollar, there is a natural hedge and the exposure to United States Dollar foreign exchange risk for business transactions is minimised. The Group also uses forward currency contracts to manage foreign exchange risk. Derivative financial instruments entered into by the Group are similar to those disclosed in the annual financial statements as at and for the financial year ended 31 December 2016.

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

Derivative Financial Instruments	Contract Value RM'000	Fair Value RM'000
At 30 June 2017		
Forward Currency Contracts		
- Less than 1 year	56,825	57,026
- 1 year to 3 years	52,366	51,806
At 31 December 2016		
Forward Currency Contracts		
- Less than 1 year	107,772	110,430
- 1 year to 3 years	52,366	51,519

B7. Material Litigation

There was no material litigation as at 1 August 2017, being the latest practicable date which is not earlier than 7 days from the issuance date of this Interim Financial Report.

B8. Material Change in the Quarterly Results as Compared with the Preceding Quarter

The Group recorded a profit before tax of RM11.9 million in 2Q 2017 compared with RM17.7 million in 1Q 2017. This was mainly due to higher cost of production and operating expense as well as lower sale of by-products in the tin smelting segment.

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

B9. Review of Performance

2Q 2017 vs. 2Q 2016

Group revenue was RM307.9 million in 2Q 2017 as compared with RM396.3 million in 2Q 2016. This was mainly due to lower sales volume of tin metal due to lower production in 2Q 2017.

Group profit before tax was RM11.9 million in 2Q 2017 as compared with a loss before tax of RM3.0 million in 2Q 2016.

The tin smelting segment recorded a loss before tax of RM3.7 million in 2Q 2017 compared with a profit before tax of RM23.3 million in 2Q 2016. This was mainly due to the absence of a favourable inventory valuation adjustment, a lower net foreign exchange gain, lower production volume, lower sale of by-product, lower volume and premiums from sales, higher production cost and operating expenses.

The tin mining segment recorded a higher profit before tax of RM13.2 million in 2Q 2017 as compared with RM4.7 million in 2Q 2016. This was mainly due to higher tin prices in 2Q 2017.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM0.3 million in 2Q 2017 as compared with a net share of loss of RM30.9 million in 2Q 2016. Share of loss in 2Q 2016 was mainly due to the provision of additional prior years tax liabilities from the Group's investment in a joint venture, KM Resources, Inc.

1H 2017 vs. 1H 2016

Group revenue was RM714.5 million in the first 6 months of the current financial year (1H 2017) as compared with RM804.7 million in 1H 2016. This was mainly due to lower sales volume of tin metal due to lower production in 1H 2017.

Group profit before tax was RM29.6 million in 1H 2017 as compared with RM29.8 million in 1H 2016.

The tin smelting segment recorded a profit before tax of RM1.8 million in 1H 2017 as compared with RM49.7 million in 1H 2016. This was mainly due to the absence of a favourable inventory valuation adjustment, a lower net foreign exchange gain, lower production volume, lower volume and premiums from sales, higher production cost and operating expenses.

The tin mining segment recorded a higher profit before tax of RM27.9 million in 1H 2017 as compared with RM11.0 million in 1H 2016. This was mainly due to higher tin prices in 1H 2017.

The Group's share of results of associates and joint ventures recorded a net share of profit of RM0.5 million in 1H 2017 as compared with a net share of loss of RM30.5 million in 1H 2016. Share of loss in 1H 2016 was mainly due to the provision of additional prior years tax liabilities from the Group's investment in a joint venture, KM Resources, Inc.

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

B10. Current Year Prospects

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

B11. Earnings/(Loss) Per Share Attributable to Owners of the Company

	2nd Quarter ended 30.06.2017	2nd Quarter ended 30.06.2016	6 months ended 30.06.2017	6 months ended 30.06.2016
Profit/(Loss) net of tax attributable to owners of the Company (RM'000)	9,015	(10,284)	21,638	14,652
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic and diluted earnings/(loss) per share (sen)	9.0	(10.3)	21.6	14.7

B12. Breakdown of Retained Earnings into Realised and Unrealised

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	51,105	49,798
- Unrealised	10,102	(1,774)
	<hr/> 61,207	<hr/> 48,024
Total share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(2,234)	(2,782)
- Unrealised	464	464
Total share of retained earnings/(accumulated losses) from joint ventures:		
- Realised	17,649	17,672
- Unrealised	(125)	(125)
	<hr/> 76,961	<hr/> 63,253
Add: Consolidation adjustments	1,011	1,081
Retained earnings as per Interim Financial Report	<hr/> 77,972	<hr/> 64,334

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

B13. Dividend Payable

	30.06.2017	30.06.2016
Final dividend for financial year ended	31 December 2016	31 December 2015
Dividend payable	RM8,000,000	-
Amount per share	8.0 sen	-
Approved and declared on	17 May 2017	-
Entitlement to dividends based on record of Depositors as at	15 June 2017	-
Date payable	11 July 2017	-

By Order of the Board
Tan Ai Ning
Secretary

Kuala Lumpur
7 August 2017