

NOTES TO THE INTERIM FINANCIAL REPORT – 30 SEPTEMBER 2004

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003. 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 2003.

The accounting policies and methods of computation used in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2003.

2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2003 was not qualified.

3 Seasonal or Cyclical Factors

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

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cashflow because of their nature, size or incidence in the current financial year- to - date except the provision for diminution in value of quoted shares in an associate amounting to RM21.4 million.

5 Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter.

6 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 quarter.

7 **Dividends**

The amount of dividend paid or declared during the financial period ended 30 September 2004 was as follows :

	Net Amount	Net Dividend Per Share
	Jan/Sep 2004 RM'000	Jan/Sep 2004 Sen
2003, 2nd Interim		
14 sen less tax per share paid on 18.5.2004	7,560	10.1
2004, Interim		
15 sen less tax per share paid on 28.9.2004	8,100	10.8
	15,660	20.9

8 **Segmental Reporting**

The Company and its principal subsidiaries operate principally within one industry. The segmental reporting by geographical locations for the current financial year-to-date are as follows :

Geographical Location	Total Assets Employed RM'000	Revenue RM'000	Pre-Tax Profit RM'000
Malaysia	353,175	1,110,841	23,459
Indonesia	237,331	525,825	93,134
Others	11	-	(22,760)
	590,517	1,636,666	93,833
Consolidation adjustments related to intra group transactions	-	(353,727)	-
	590,517	1,282,939	93,833

9 **Property, Plant and Equipment**

The valuation of land and buildings have been brought forward without amendment from the previous audited annual financial statements for the year ended 31 December 2003.

The Company had transferred its land and buildings at No. 27 Jalan Pantai, 12000 Butterworth at RM24 million to its wholly-owned subsidiary, MSC Properties Sdn Bhd.

10 **Events subsequent to Balance Sheet Date**

There was no material event subsequent to the balance sheet date as at 16 November 2004, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report.

11 **Changes in the Composition of the Company**

There was no change in the composition of the Company for the current quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

12 **Changes in Contingent Liabilities and Contingent Assets**

At 16 November 2004, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, there were no material changes in contingent liabilities or contingent assets since 31 December 2003.

13 **Capital Commitments**

The amount of capital commitments not provided for in the interim financial statements at 30 September 2004 was as follows :

RM'000

Contracted but not provided for 750

14 **Related Party Transactions**

The following are significant related party transactions :

**9 months ended
30.09.2004**

RM'000

Sales to an associate, Redring Solder (M) Sdn Bhd 13,230
Purchase from an associate, Marlborough Resources NL 11,664

The above transactions arose in the normal course of business at an arm's length basis.

15 **Taxation**

Taxation comprises the following :

	9 mths ended 30.09.2004 RM'000
Current Taxation	
Malaysian income tax	6,466
Foreign tax	28,225
Deferred tax	637
Associated companies	402
Total	35,730

The effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to the higher tax rate payable by a foreign subsidiary and certain expenses not deductible for tax purposes.

16 Profit on Sale of Unquoted Investment and/or Property

There was no profit on sale of unquoted investment and/or property for the current quarter.

17 Purchase and Sale of Quoted Securities

There was no purchase or sale of quoted securities for the current quarter.

18 Status of Corporate Proposal

Further to the announcement made on 5 November 2004 to Bursa Malaysia, the Company completed the purchase of the entire issued and paid-up share capital of Rahman Hydraulic Tin Sdn Bhd comprising of 97,232,142 ordinary shares of RM1.00 each for a cash sum of RM15,000,000 on 22 November 2004.

19 Group Borrowings and Debts Securities

Group borrowings as at 30 September 2004 comprise the following :

	30.09.04
	RM'000
a) Short Term Borrowings (unsecured)	
Bankers Acceptances	10,000
Foreign currency trade finance	145,748
Revolving Credit	20,897
	<hr/>
	176,645
Current portion of term loans	12,836
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	189,481
b) Long Term Borrowings (unsecured)	
Term Loans	<hr/>
	20,721
Amount denominated in foreign currency	'000
Foreign currency trade finance (US Dollar)	38,355
Revolving credit (US Dollar)	5,500
Term loan 1 (US Dollar)	6,250
Term loan 2 (Australian Dollar)	3,675

Foreign currency trade finance and revolving credit are utilised for working capital requirements involving purchases and sales of tin concentrates and tin metal denominated in US Dollar. Term loans are utilized for investments denominated in US Dollar and Australian Dollar respectively.

Short term borrowings bear interest at rates ranging from 1.54% to 6.80% (2003 : 1.45% to 6.80%) per annum. The US Dollar term loan 1 is repayable by 8 semi-annual instalments of USD1.25 million each commencing 5 April 2003 with interest rate at 1% above 3 months Singapore Interbank Offer Rate. The Australian Dollar term loan 2 is repayable by 8 semi-annual instalments of AUD525,000 each commencing 17 April 2004 with interest rate at 1.15% above 3 months cost of fund for Australian Dollar.

20 **Financial Instrument with Off Balance Sheet Risk**

As at 16 November 2004, the Company had the following outstanding financial instruments:

- a) Forward foreign currency hedging contracts in respect of the Company's sales and purchases of tin :-

Currency	Contract Amount (‘000)	Equiv. Amount RM'000	Maturity Dates
USD	56,750	216,085	Different maturity dates up to January 2006

- b) A cross currency swap contract with a bank for the balance of AUD3.68 million term loan with a USD2.57 million term loan.

21 **Material Litigation**

There was no material litigation at 16 November 2004, 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**

Group pre-tax profit for the 3rd quarter 2004 was RM36.75 million compared with RM38.37 million recorded in the 2nd quarter 2004.

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

Group pre-tax profit for the 9 months period increased by 139.2% to RM93.83 million compared to RM39.23 million in the corresponding period of the previous year. The increase was due to the improvement in the results of the Butterworth operations as well as a higher profit contribution from PT Koba Tin and a better tin price.

No item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group from the end of the current financial period to the date of this announcement.

24 **Current Year Prospects**

Barring any unforeseen circumstances and subject to tin prices continuing to remain at the current favourable level, the Group's performance for the whole year will be significantly higher than that of the previous year.

25 **Variance of Actual Profit from Forecast Profit (Final Quarter Only)**

Not applicable.

26 **Basic Earnings Per Share**

	9 mths ended 30.09.2004
Net profit for the period (RM)	41,641,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	55.5

27 **Dividend**

An interim dividend of 15 sen per share less 28% tax (2003: 8 sen per share tax exempt) amounting to RM8,100,000 for year ending 31 December 2004 was paid on 28 September 2004.

By Order of the Board
Abdul Rahim Hussain
Secretary

Butterworth
23 November 2004