

NOTES TO THE INTERIM FINANCIAL REPORT – 31 DECEMBER 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 investment in an associate amounting to RM20.3 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 year ended 31 December 2004 was as follows :

	Net Amount	Net Dividend Per Share
	Jan/Dec 2004 RM'000	Jan/Dec 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	419,122	1,616,462	34.58
Indonesia	244,873	692,940	118.37
Others	5,664	-	(22.09)
	669,659	2,309,402	130.86
Consolidation adjustments related to intra group transactions		446,873	-
	669,659	1,862,529	130.86

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 February 2005, 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 except the acquisition of a 100% subsidiary, Rahman Hydraulic Tin Sdn Bhd on 22 November 2004.

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

A net amount of about RM4.5 million out of a total contingent liability of about RM7.6 million outstanding since 31 December 2003, was payable in January and February 2005. There will be no outstanding contingent liability after the above payment.

13 **Capital Commitments**

The amount of capital commitments not provided for in the interim financial statements at 31 December 2004 was as follows :

	RM'000
Approved but not contracted	5,926
Contracted but not provided for	<u>10,874</u>
	<u>16,800</u>

14 **Related Party Transactions**

The following are significant related party transactions :

	12 months ended
	31.12.2004
	RM'000
Sales to an associate, Redring Solder (M) Sdn Bhd	20,330
Purchase from an associate, Marlborough Resources NL	11,911

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

15 **Taxation**

Taxation comprises the following :

	12 mths ended
	31.12.2004
	RM'000
Current Taxation	
Malaysian income tax	9,448
Foreign tax	40,477
Deferred tax	637
Associated companies	309
Total	50,871

The effective tax rate for the current year 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**

As announced to Bursa Malaysia on 17th February 2005, the Company received a Notice of Mandatory Offer from Commerce International Merchant Bankers Berhad, on behalf of Straits Trading Amalgamated Resources Sdn Berhad (STAR (M)), a wholly-owned subsidiary of the Straits Trading Company Ltd to acquire 16,361,000 ordinary shares representing 21.8% of the issued and paid-up share Capital in the Company not already owned by STAR(M)).

19 **Group Borrowings and Debts Securities**

Group borrowings as at 31 December 2004 comprise the following :

	31.12.2004
	RM'000
a) Short Term Borrowings (unsecured)	
Bankers Acceptances	26,000
Foreign currency trade finance	170,360
Revolving Credit	32,296
	<hr/> 228,656
Current portion of term loans	13,292
	<hr/> 241,948
b) Long Term Borrowings (unsecured)	
Term Loans	<hr/> 15,232
Amount denominated in foreign currency	'000
Foreign currency trade finance (US Dollar)	44,832
Revolving credit (US Dollar)	8,500
Term loan 1 (US Dollar)	5,000
Term loan 2 (Australian Dollar)	3,150

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 6.50% (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 for US Dollar. 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 February 2005, 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	84,100	319,586	Different maturity dates up to January 2006

- b) A cross currency swap contract with a bank for the balance of AUD3.15 million term loan with a USD2.20 million term loan.

21 **Material Litigation**

There was no material litigation at 16 February 2005, 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 4th quarter 2004 was RM37.03 million compared with RM36.75 million recorded in the 3rd quarter 2004.

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

Group pre-tax profit for the year increased by 145.7% to RM130.86 million compared with RM53.25 million for the previous year. The increase was due to all round improvements in the mining, smelting, marketing and financing of both the Malaysian and Indonesian operations as well as a significantly 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 financial year to the date of this announcement.

24 **Current Year Prospects**

Tin prices have fallen by about 10% compared with the average price in 2004 and with the current high fuel prices it may be difficult to sustain the earnings level achieved in 2004. Nevertheless, the Group expects to achieve a healthy level of earnings in 2005.

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

Not applicable.

26 **Basic Earnings Per Share**

	12 mths ended 31.12.2004
Net profit for the period (RM)	59,782,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	79.7

27 **Dividend**

A 2nd interim dividend of 15 sen (2003: 14 sen) and a Special Dividend of 10 sen (2003: nil) per share less 28% tax amounting to a total of RM 13.5 million for year ended 31 December 2004 have been declared and payable on 28 March 2005 to shareholders registered on the Company's Register at the close of business at 4.00 pm on 15 March 2005.

By Order of the Board
Abdul Rahim Hussain
Secretary

Butterworth
23 February 2005