

NOTES TO THE INTERIM FINANCIAL REPORT – 31 MARCH 2005

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 2004. 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 2004.

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 2004.

2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2004 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.

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 31 March 2005 was as follows :

	Net Amount	Net Dividend Per Share
	Jan/Mar 2005 RM'000	Jan/Mar 2005 Sen
2004, Special Interim 10 sen less tax per share paid on 28.03.05	5,400	7.2
2004, 2nd Interim 15 sen less tax per share paid on 28.03.05	8,100	10.8
	13,500	18.0

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 was as follows :

Geographical Location	Total Assets Employed RM'000	Revenue RM'000	Pre-Tax Profit RM'000
Malaysia	506,015	454,761	7,873
Indonesia	283,744	181,059	26,781
Others	62,325	-	(304)
	852,084	635,820	34,350
Consolidation adjustments related to intra group transactions	(210,871)	(184,617)	(1,241)
	641,213	451,203	33,109

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 2004.

10 **Events subsequent to Balance Sheet Date**

There was no material event subsequent to the balance sheet date as at 19 April 2005, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report except as noted under Note 18 .

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 19 April 2005, 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 2004.

13 **Capital Commitments**

The amount of capital commitments not provided for in the interim financial statements at 31 March 2005 was as follows :

	RM'000
Contracted but not provided for	6,805

14 **Related Party Transactions**

The following are significant related party transactions :

	3 months ended
	31.03.2005
	RM'000
Sales to an associate, Redring Solder (M) Sdn Bhd	4,743

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

15 **Taxation**

Taxation comprises the following :

	3 mths ended
	31.03.2005
	RM'000
Current Taxation	
Malaysian income tax	2,534
Foreign tax	7,698
Deferred tax	(373)
Associated companies	70
Total	9,929

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 (STC) 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)). As of that date, the equity interest of STC Group including STAR(M) in the Company was 48.19%. Subsequently, as at 17 March 2005 the equity interest of STC Group including STAR(M) in the Company was increased from 48.19% to 50.20% making STC the ultimate holding company of Malaysia Smelting Corporation Berhad. As at the close of Offer of STAR(M) on 13 April 2005, the equity interest of STC Group including STAR(M) increased further to 63.16%.

19 **Group Borrowings and Debts Securities**

Group borrowings as at 31 March 2005 comprise the following :

	31.03.2005
	RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	211,392
Revolving Credit	7,599
	<u>218,991</u>
Current portion of term loans	12,606
	<u>231,597</u>
b) Long Term Borrowings (unsecured)	
Term Loans	<u>15,722</u>
Amount denominated in foreign currency	RM'000
Foreign currency trade finance (US Dollar)	55,629
Revolving credit (US Dollar)	2,000
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 2.96% to 6.50% (2004 : 1.52% to 6.50%) 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 19 April 2005, the Group had the following outstanding financial instruments:

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

Currency	Contract Amount Million	Equiv. Amount RM'000	Maturity Dates
USD	32.0	121,568	Different maturity dates up to July 2005
Indonesian Rupiah	443,372.0	<u>181,260</u> <u>302,828</u>	Different maturity dates up to September 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

Outstanding litigations as at 19 April 2005, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report are :

- a) On 2 November 2004, an Originating Summons was filed by a third party (the Plaintiff) against the Company and 3 other parties. The Plaintiff had sought, inter alia, a declaration that the award for the sale of 97,232,142 ordinary shares of RM1.00 each in Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to the open tender process and the subsequent Share Sale Agreement for the RHT shares are null and void.

The Plaintiff also filed an injunction seeking an Order, inter alia, to restrain the Defendants from proceeding with the Share Sale Agreement until the outcome of their Originating Summons is known, alternatively in the event the transfer of shares is perfected, the Company is restrained from dealing and managing the affairs of RHT.

The Plaintiff's Originating Summons and his application for an injunction were dismissed by the High Court of Malaya with costs on the 25 February 2005.

The Plaintiff has filed an Appeal to the Court of Appeal on the 8 March 2005 in respect of the dismissal of the Originating Summons and the injunction. No date has been fixed by the Court of Appeal to date.

- (b) At the time of takeover of RHT on 22 November 2004, the following legal suits were pending against RHT:
- i. On 22 August 2002, a Summons in Chambers (ex-parte) was served on RHT and 3 others by a party (the "Plaintiff") for the rejection of its proposal to acquire the mining lease and the related assets of RHT. The plaintiff's application for Judicial Review was dismissed by the Court with cost and the plaintiff has filed a Notice of Appeal which has yet to be heard.
 - ii. On 17 November 2003, a claim by eleven (11) ex-workers for notice pay and retrenchment benefits amounting to RM125, 723.40 was made at the labour court against RHT. Based on legal advice, the Directors are of the opinion that the claimants have no basis for the claim. The matter is pending decision by the Learned Judge of the Industrial Court.
 - iii. Two former directors of RHT have made a claim for compensation amounting to approximately RM2.4 million pursuant to Service Agreements entered on 31 March 2000 between them and RHT. One of the directors has commenced proceedings in the Industrial Court for wrongful dismissal as the Managing Director. The claim has been dismissed by the Chairman of the Industrial Court. However, the said director has appealed against the decision.

In accordance with the Sale of Shares Agreement dated 1 October 2004 between the vendor of RHT and the Company (the purchaser), the vendor shall do the necessary to defend and settle all legal suits against RHT in relation to matters occurred prior to completion date, being 22 November 2004 or shall cause these legal suits to be transferred from RHT to the vendor.

22 **Material Change in the Quarterly Results
as compared with the Preceding Quarter**

Group pre-tax profit for the 1st quarter 2005 was RM33.11 million compared with RM37.03 million recorded in the 4th quarter 2004. The lower pre-tax profit was mainly due to the lower average tin price of USD 8,069 per tonne compared with that of USD 8,870 per tonne in the preceding quarter.

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

Group pre-tax profit for the 1st quarter 2005 increased by 76.9% to RM33.11 million compared with RM18.71 million for the corresponding period in the previous year. The increase was due to the improvement in the results of both the Malaysian and Indonesian operations as well as the higher average tin price of USD8,069 per tonne compared with that of USD 6,920 per tonne in the first quarter of last year.

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**

Tin prices have fallen by about 10% compared with the average price in the second half of 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**

	3 mths ended 31.03.2005
Net profit for the period (RM)	18,690,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	24.9

27 **Dividend**

A 2nd interim dividend of 15 sen (2003: 14 sen) and a special interim 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 was paid on 28 March 2005.

By Order of the Board
Abdul Rahim Hussain
Secretary

Butterworth
26 April 2005