

NOTES TO THE INTERIM FINANCIAL REPORT – 30 JUNE 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 was 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 June 2005 was as follows :

	Net Amount	Net Dividend Per Share
	Jan/June 2005 RM'000	Jan/June 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	Revenue	Pre-Tax Profit
	RM'000	RM'000	RM'000
Malaysia	535,568	881,444	19,196
Indonesia	334,595	345,648	44,092
Others	62,327	-	(949)
	932,490	1,227,092	62,339
Consolidation adjustments related to intra group transactions	(252,388)	(351,777)	(3,335)
	680,102	875,315	59,004

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

On 5 July 2005, the following ordinary shares were allotted to the Company by its associate, Australia Oriental Minerals NL (AOM) :

A) 33,567,000 ordinary shares at the issued price of AUD0.03 per share on subscription by the Company for a total cash consideration of AUD 1.01 million.

b) 28,130,096 ordinary shares at AUD0.05 per share on conversion of an intercompany debt of AUD1.41 million due to the Company.

On the date of this announcement, the Company holds approximately 39% in AOM.

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 as noted under Note 10.

12 Changes in Contingent Liabilities and Contingent Assets

At 21 July 2005, the latest practicable 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 at 30 June 2005 was as follows :

	30.06.2005
	RM'000
Approved but not contracted	5,605
Contracted but not provided for	1,995
	<u>7,600</u>

14 Related Party Transactions

The following are significant related party transactions :	6 months ended
	30.06.2005
	RM'000
Sales to an associate, Redring Solder (M) Sdn Bhd	8,895

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

15 Taxation

Taxation comprises the following :

	6 mths ended
	30.06.2005
	RM'000
Current Taxation	
Malaysian income tax	4,980
Foreign tax	13,384
Deferred tax	(1,067)
Associates	170
Total	17,467

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 15 April 2005, the public shareholding spread of the Company had fallen below 10% of its total issued and paid-up share capital at 13 April 2005, subsequent to the unconditional take-over offer by Straits Trading Amalgamated Resources Sdn. Bhd ("STAR (M)"), a wholly-owned subsidiary of The Straits Trading Company Limited ("STC") to acquire 14,849,100 ordinary shares of RM1.00 each in Malaysia Smelting Corporation Berhad ("MSC"). Accordingly pursuant to paragraph 8.15(4) of the Listing Requirements of Bursa Malaysia, trading in MSC Shares was suspended on 31 May 2005.

It was further announced to Bursa Malaysia that it is stipulated in the Offer Document that STAR (M) and STC intend to maintain the listing status of MSC and they will explore various options to address the shareholding spread of MSC within three months from 13 April 2005, being the closing date of the offer, or such other time as may be approved by Bursa Malaysia and that any proposal will, however, be subject to STAR(M) and the persons acting in concert retaining an equity interest of more than 50% in MSC. The Company has been informed that Commerce International Merchant Bankers Berhad, on behalf of STC has submitted on 29 June 2005 an application to Securities Commission seeking an extension for a further 3 months, ending on 12 October 2005, to work with the other substantial shareholder to address the shortfall in the public shareholding spread of MSC.

19 Group Borrowings and Debts Securities

Group borrowings as at 30 June 2005 comprise the following : **30.06.2005**
RM'000

a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	227,250
Revolving Credit	7,599
Bankers' Acceptance	13,777
	248,626
Current portion of term loans	13,192
	<u>261,818</u>

30.06.2005
RM'000

b) Long Term Borrowings (unsecured)	
Term Loans	<u>8,745</u>
Amount denominated in foreign currency	'000
Foreign currency trade finance (US Dollar)	59,803
Revolving credit (US Dollar)	2,000
Term loan 1 (US Dollar)	3,750
Term loan 2 (Australian Dollar)	2,625

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 21 July 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	20.9	79,475	Different maturity dates up to October 2005
Indonesian Rupiah	513,644.0	203,110	Different maturity dates up to January 2007.
		282,585	

- b) A cross currency swap contract with a bank for the balance of AUD2.63 million term loan with a USD1.83 million term loan.

21 Material Litigation

Outstanding litigations as at 21 July 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. No date has been fixed for hearing for the Notice of Appeal.
 - 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 case was originally fixed for a decision. On the date on which the decision ought to have been delivered the Labour Officer on his own accord has raised the issue of section 41(1)(e) of the Pengurusan Danaharta Nasional Berhad Act 1998 i.e. that there is a moratorium to prevent RHT being sued without the consent of Pengurusan Danaharta Nasional Berhad. Accordingly the Labour Officer has instructed the complainant to obtain the consent of Pengurusan Danaharta Nasional Berhad before he could proceed to deliver the decision. At the time of this report, the Complainant's solicitors have yet to obtain the consent of Pengurusan Danaharta Nasional Berhad.
 - 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. RHT had made an application to substitute itself with the vendor pursuant to the Workout Proposal date 19 April 2005. The hearing for the application for substitution of parties has been fixed on the 9 August 2005.

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 second quarter 2005 was RM25.89 million compared with RM33.11 million recorded in the first quarter 2005. The lower pre-tax profit was mainly due to lower profit contribution from Indonesian operations, as a result of the higher cost of production.

23 Review of Performance of the Company and its Principal Subsidiaries

Group pre-tax profit for the first half of 2005 increased by 3.3 % to RM 59.00 million compared with RM57.10 million for the corresponding period of the previous year. The slight increase was due to the improvement in the Malaysian smelting operations despite a lower contribution from the Indonesian operations.

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 continued to fall by about 10% compared with the average price in the second half of 2004, and with the current high fuel prices and the removal of Government's Subsidy on fuel in Indonesia, it would be difficult to sustain the earnings level achieved in the first half of this year particularly in the Indonesian operations. Nevertheless, the Group expects to achieve a reasonable level of earnings in 2005.

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

Not applicable.

26 Basic Earnings Per Share

**6 mths ended
30.06.2005**

Net profit for the period (RM)	33,195,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	44.3

27 Dividend

The Directors have declared an Interim Dividend of 15 sen (2004: 15 sen) per share less 28% tax amounting to a total of RM 8.1 million for the financial year ending 31 December 2005.

NOTICE IS HEREBY GIVEN that an interim dividend of 15 sen per RM1.00 share, will be paid on 28 September 2005 to Depositors registered in the record of Depositors at the close of Business on 15 September 2005.

A depositor shall qualify for the entitlement only in respect of :-

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 15 September 2005 in respect of transfers; and
- b) Shares brought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board
Abdul Rahim Hussain
Secretary

Butterworth
28.07.05