

NOTES TO THE 1st INTERIM FINANCIAL REPORT – 31 MARCH 2006

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) 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 2005. 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 2005.

2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/ revised FRSs effective for the financial period beginning 1 January 2006:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition to the above, the Group has also taken the option of early adoption of the following new/ revised FRSs for the financial period beginning 1 January 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of FRS 2, 102, 108, 110, 116, 121, 124, 127, 128, 131, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/ revised FRSs are discussed below:

(a) FRS 3 - Business Combination

FRS 3 requires goodwill acquired in a business combination to be measured at cost and subject to impairment. Further in accordance with the transitional provisions of FRS 3, the reserve on consolidation of RM13.88 million, as at 1 January 2006, was adjusted to opening retained profits.

(b) FRS 5 - Non-current Assets Held for Sale and Discontinued Operations

The new FRS 5 requires a separate disclosure on non-current assets held for sale and discontinued operations, to be stated at lower of carrying amount and fair value less cost to sell. In view of this guideline, the Company's properties, i.e. two parcels of land to be sold at a consideration of RM23.90 million have been reclassified from 'Property, plant and equipment' to 'Properties held for sale' under current assets at the carrying amount of RM20.89 million.

(c) FRS 101 – Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(d) FRS 117 – Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land and building. The up-front payments made for the leasehold land and building represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 January 2006, leasehold land and building were classified as property, plant and equipment and were stated at valuation less accumulated depreciation and impairment losses. The leasehold land and building were last revalued in year 2003 and 2005 respectively.

Upon the adoption of the revised FRS 117 at 1 January 2006, the unamortized revalued amount of leasehold land and building are retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land and building as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 3, certain comparative amounts as at 31 December 2005 have been restated.

(e) FRS Yet To Be Adopted

The Group has yet to adopt FRS 139 – Financial Instruments: Recognition and Measurement, which will be effective from 1 October 2006.

3 Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously stated RM'000	FRS 117 RM'000	Restated RM'000
At 31 December 2005			
Property, plant and equipment	139,851	(6,632)	133,219
Prepaid lease payments	-	6,632	6,632

Impact on the opening balances

	Previously stated RM'000	FRS 3 RM'000	Restated RM'000
Effects on:			
Retained profits	181,673	13,880	195,553
Reserve on consolidation	13,880	(13,880)	-

4. **Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

5. **Seasonal or Cyclical Factors**

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

6. **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.

7. **Changes in Estimates**

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

8. **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.

9. **Dividends**

The amount of dividends paid or declared during the financial period ended 31 March 2006 were as follows :

	Net Amount Jan/Mar 2006 RM'000	Net Dividend Per Share Jan/Mar 2006 Sen
2005, Second interim 10 sen tax exempt and 5 sen less 28% tax per share paid on 28.03.06	10,200	13.6

10. 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	551,832	311,936	15,713
Indonesia	405,700	103,601	(965)
Others	62,328	-	(967)
	1,019,861	415,537	13,781
Consolidation adjustments related to intra group transactions	(355,427)	(108,905)	-
	664,433	306,632	13,781

11. 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 2005.

On 28 October 2005, the Company announced that it has entered into a Sale and Purchase Agreement for the sale of two parcels of land totalling 81.2547 acres known as Lot Nos. 1202 and 1439, Mukim 12, Daerah Seberang Perai Tengah, Negeri Pulau Pinang held under Geran No. Hakmilik 38941 and Geran Mukim No. Hakmilik 40 to Juru Heights Sdn Bhd for total consideration of RM23.9 million. This disposal was completed in April 2006.

12. Events subsequent to Balance Sheet Date

There was no material events subsequent to balance sheet date as at 27 April 2006, 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 20 and 23.

13. 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.

14. Changes in Contingent Liabilities and Contingent Assets

At 27 April 2006, 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 2005 except as noted under Note 23.

15. Capital Commitments

The amount of capital commitments as 31 March 2006 was as follows :

	31.03.2006 RM'000
Approved but not contracted	-
Contracted but not provided for	2,314
	2,314

16. Related Party Transactions

The following are significant related party transactions :

	3 months ended 31.03.2006 RM'000
Sales to an associate, Redring Solder (M) Sdn Bhd	4,450

The above transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

17. Taxation

Taxation comprises the following :

	3 months ended 31.03.2006 RM'000
Current taxation	
Malaysian income tax	4,184
Foreign tax	(63)
Deferred tax	373
Total	4,494

The effective tax rate for the current year was higher than the statutory tax rate in Malaysia mainly due to certain expenses accrued and not tax deductible.

18. 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.

19. Purchase and Sale of Quoted Securities

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

20. Status of Corporate Proposal

- i The Company's application for a further extension of time from 31 December 2005 to comply with the public shareholding spread requirements was rejected by Bursa Malaysia on 20 January 2006. The Company's shares have been suspended from trading since 31 May 2005 pursuant to paragraph 8.15(4) of the Listing Requirements of Bursa Malaysia.

The substantial shareholders are still in discussion to explore various alternatives to address the shortfall in the Company's public shareholding spread. In the meantime, the Company has appealed to Bursa Malaysia for an extension of up to 31 December 2006 to enable the substantial shareholders to re-evaluate the viability of various alternatives to maintain the listing of the Company. If no feasible outcome emerges, the Company might be delisted.

- ii As announced to Bursa Malaysia on April 18, 2006, the Company entered into a Management Agreement with Straits Resource Management Limited ("SRM") on the same date. In accordance with the Agreement, SRM shall provide management, technical, marketing, financial and advisory services to the Company and its subsidiaries and associated companies.

21. Group Borrowings and Debts Securities

Group borrowings as at 31 March 2006 comprise the following :

	31.03.2006
	RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	52,721
Revolving credit	47,905
Bankers' acceptance	152,027
	252,653
Current portion of term loans	12,598
	265,251

	31.03.2006
	RM'000
b) Long Term Borrowings (unsecured)	
Term Loans	2,152

Amount denominated in foreign currency	'000
Foreign currency trade finance (US dollar)	14,307
Revolving credit (US dollar)	13,000
Term loan 1 (US dollar)	2,500
Term loan 2 (Australian dollar)	2,100

Foreign currency trade finance and revolving credit are utilized 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 3.02% to 6.75% (2005 : 2.7% to 6.75%) 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.

22. Financial Instrument with Off Balance Sheet Risk

As at 27 April 2006, 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	
US Dollar	2.0	7,404	Different maturity dates up to May 2006
Indonesian Rupiah	294,787	110,919	Different maturity dates up to February 2007
	Total	118,323	

- b) A cross currency swap contract with a bank for the balance of AUD1.58 million term loan with a USD1.10 million term loan.

23. Material Litigation

Outstanding material litigations as at 27 April 2006, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report are :

- a) A claim from a party against the Company and 3 others, seeking a declaration that the award for the sale of Rahman Hydraulic Tin Sdn. Bhd. (RHT) shares to the Company, be declared null and void. The party also filed an injunction to restrain the Administrator of RHT from proceeding with the sale. Both the claim and the injunction were dismissed by the High Court with costs. The party has filed an appeal and no date has been fixed for hearing.

- 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 the Plaintiff whose proposal to acquire the mining lease and related assets of RHT was rejected by RHT on 30 April 2002. The Plaintiff's application for Judicial Review was filed in Court but was dismissed with costs. The plaintiff has filed a Notice of Appeal.
 - (ii) On 17 November 2003, a claim by 11 ex-workers for notice pay and retrenchment benefits amounting to RM125,723 was made at the Industrial Court against RHT. The claim has been dismissed by the Industrial Court on 26 September 2005. The claimants have filed appealed against the decision to the High 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 taken up a case for wrongful dismissal as the managing director of RHT. The claim has been dismissed by the Industrial Court and the said director has appealed against the decision but no date has been fixed for hearing of the appeal.

In accordance to the Sale of Shares Agreement dated 1 October 2004 between the vendor of RHT and the Company, the vendor shall do the necessary to defend and settle all legal suits against RHT in relation to matters occurred prior to completion date of 22 November 2004 or shall cause these legal suits to be transferred from RHT to the vendor. However, the vendor has made application to substitute itself with RHT in respect of case b)(iii) above. The hearing for the application was heard on 21 February 2006 and to be continued on 18 July 2006.

- (c) 43 employees retrenched by the Company under its manpower rationalization scheme have filed a claim seeking reinstatement to their former positions, back wages, bonus, etc or compensation for loss of wages if reinstatement is not in order. The Company maintains that it had acted fairly and had not breached any rules or regulations in the implementation of the retrenchment exercise. The case has been fixed for hearing in March 2007.
- (d) A third party (Plaintiff) has filed a Statement of Claim for RM45 million or such amount as the Court deemed fit, plus interest of 8% on judgment sum that remains unpaid, cost of litigation and any other relief that the Court deems appropriate for an alleged breach of the Subscription Agreement entered into with the Company. The Company maintains that the breach was in fact committed by the Plaintiff, entitling it to terminate the agreement. The Company had filed its Statement of Defence. To date, the Plaintiff has not proceeded further on the case.

- (e) On 7 February 2006, the Company received a Statement of Claim from a party for RM1.28 million with interest at 8% p.a. plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company has accordingly filed its Statement of Defence and based on legal advice, the Company has a fair chance of resisting the claim.

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

Group pre-tax profit for the 1st quarter 2006 was RM13.78 million compared with RM13.39 million recorded in the preceding quarter.

25. **Review of Performance of the Company and its Principal Subsidiaries**

Group pre-tax profit for the period decreased by 58.4 % to RM13.78 million compared with RM33.11 million for the corresponding period of the previous year. The Malaysian operations achieved a better performance during the period. However, lower tin prices and higher fuel costs adversely affected the performance of the Indonesian operations resulting in a significantly lower overall earning of the Group.

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 first quarter of 2006 to the date of this announcement except as noted under Note 23.

26. **Current Year Prospects**

Notwithstanding the recent rise in tin prices, earnings are expected to be lower than 2005 because of lower operating margins due to rising fuel costs and lower production volume. The Group has taken certain initiatives to reduce its operating costs in Indonesia to improve profitability.

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

Not applicable.

28. **Basic Earnings Per Share**

	3 months ended 31.03.2006
Net profit attributable to equity holders of the parent (RM)	9,773,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	13.0

29 **Dividend**

No interim dividend has been declared for the financial period ended 31 March 2006.

By Order of the Board
Abdul Rahim Hussain
Sharifah Faridah Abd Rasheed
Secretaries

Butterworth
3 May 2006