

NOTES TO THE 3RD INTERIM FINANCIAL REPORT – 30 SEPTEMBER 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 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.

(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.

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 30 September 2006 were as follows :

	Net Amount Jan/Sept 2006 RM'000	Net Dividend Per Share Jan/Sept 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
2006, interim 8 sen tax exempt per share paid on 28.09.06	6,000	8.0
	16,200	21.6

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	664,397	1,102,187	50,114
Indonesia	428,332	411,981	(14,558)
Others	62,317	-	(628)
	1,155,046	1,514,168	34,928
Consolidation adjustments related to intra group transactions	(398,923)	(433,977)	-
	756,123	1,080,191	34,928

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.

12. Events subsequent to Balance Sheet Date

There were no material events subsequent to balance sheet date as at 21 October 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 21 October 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.

15. Capital Commitments

The amount of capital commitments at 30 September 2006 was as follows :

	30.09.2006 RM'000
Approved but not contracted	24,596
Contracted but not provided for	35
	24,631

16 Related Party Transactions

The following are significant related party transactions :

	9 months ended 30.09.2006 RM'000
Sales to an associate, Redring Solder (M) Sdn Bhd	20,081

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 :

	9 months ended 30.09.2006 RM'000
Current taxation	
Malaysian income tax	10,933
Foreign tax	(2,640)
Deferred tax	290
Underprovided in prior year	946
Total	9,529

The effective tax rate for the current year was lower than the statutory tax rate in Malaysia mainly due to certain foreign income which is tax exempt in Malaysia.

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

Following the announcement on 20 September 2006, that the Company had entered into an agreement with the Straits Trading Company Limited (STC) and 3 wholly-owned subsidiaries of STC to facilitate the rectification of the Company's public share spread shortfall, the Company has submitted its corporate proposals through CIMB Investment Bank Berhad to both the Securities Commission and Bursa Malaysia Securities Berhad for approvals.

Bursa Securities had, vide its letter dated 19 October 2006, approved the Company's request for the extension of time until 31 March 2007 to enable it to implement the proposals to comply with the public spread requirements.

21. Group Borrowings and Debts Securities

Group borrowings as at 30 September 2006 comprise the following :

	30.09.2006
	RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	278,126
Revolving credit	47,833
Bankers' acceptance	17,920
	343,879
Current portion of term loans	7,496
	351,375

	30.09.2006
	RM'000
b) Long Term Borrowings (unsecured)	
Term Loans	1,448

	'000
Amount denominated in foreign currency	
Foreign currency trade finance (US dollar)	75,588
Revolving credit (US dollar)	13,000
Term loan 1 (US dollar)	1,250
Term loan 2 (Australian dollar)	1,575

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 3.32% to 7.25% (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 21 October 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	18.3	67,026	Different maturity dates up to June 2007
Indonesian Rupiah	123,146	49,413	Different maturity dates up to February 2007
	Total	116,439	

- 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

Since the Company's last announcement on 31 July 2006 relating to the 2nd Quarter 2006 Interim Financial Report, there was no new development on the outstanding material litigations as at 21 October 2006, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

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

Group pre-tax profit for the 3rd quarter 2006 was RM10.64 million compared with RM10.51 million recorded in the preceding quarter.

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

Group pre-tax profit for the nine months ended 30 September 2006 decreased by 52.90% to RM34.93 million compared with RM74.16 million for the corresponding period of the previous year. Net attributable profit at RM27.06 million was 39.17 % lower compared with that of the corresponding period of last year. The Malaysian operations, aided by sale of a by-product, achieved a better performance during the period. However, despite a turnaround in the performance of PT Koba Tin in the 3rd quarter of 2006, year-to-date losses incurred by the Indonesian operations due to higher fuel and other production costs, lower production volume and unrealized foreign exchange translation differences due to the strengthening of the Ringgit had resulted in a significantly lower overall earnings 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 third quarter of 2006 to the date of this announcement except as noted under Note 23.

26. Current Year Prospects

The current increase in tin prices and the ongoing measures to reduce the operating costs of the Indonesian operations are expected to improve further the performance of PT Koba Tin. However, the overall earnings of the Group for the year are expected to be lower than that of 2005 due to the first half year losses of PT Koba Tin and the negative impact of unrealized exchange translation differences.

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

Not applicable.

28. Basic Earnings Per Share

	9 months ended 30.09.2006
Net profit attributable to equity holders of the parent (RM)	27,064,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	36.1

29 Dividend

An interim dividend of 8 sen tax exempt (2005: 15 sen less 28% tax) per share for the financial year ending 31 December 2006, amounting to RM6.0 million was paid on 28 September 2006.

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

Butterworth
27 October 2006