NOTES TO THE 4TH INTERIM FINANCIAL REPORT – 31 DECEMBER 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, 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. The up-front payments made for the leasehold land represents prepaid land 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 is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land 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 121 – The Effects of Changes in Foreign Exchange Rates

Prior to 1 January 2006, exchange differences arising on foreign currency borrowings that provide a hedge against a net investment in a foreign entity were recognized in equity. Under the revised FRS 121, such exchange differences are now recognized in profit or loss. This change in accounting policy 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	FRS 3	FRS 101	FRS 117	FRS 121	Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2005						
Property, plant and equipment	139,851			(1,693)		138,158
Prepaid land lease payments	-			1,693		1,693
Retained profits	181,673				(1,495)	180,178
Foreign exchange reserves	420				1,495	1,915
For the year ended 31 December 2005						
Share of loss of associates	(1,185)		(173)			(1,358)
Income tax expense	(22,785)		173			(22,612)
Impact on the opening balances 1 January 2006						
Effects on:						
Retained profits	181,673	13,880			(1,495)	194,058
Reserve on consolidation	13,880	(13,880)				-
Foreign exchange reserve	420				1,495	1,915

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 year ended 31 December 2006 were as follows :

	Net Amount Jan/Dec 2006 RM'000	**Net Dividend Per Share Jan/Dec 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	598,563	1,667,042	56,726
Indonesia	364,331	635,545	9,076
Others	62,317	-	(1,122)
	1,025,211	2,302,587	64,680
Consolidation adjustments related to intra group transactions	(295,175)	(664,883)	-
	730,036	1,637,704	64,680

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 15 February 2007, 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 26.

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 15 February 2007, 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 31 December 2006 was as follows :

	31.12.2006 RM'000
Approved but not contracted	27,716
Contracted but not provided for	133
	27,849

16 **Related Party Transactions**

The following are significant related party transactions :

	12 months ended 31.12.2006 RM'000
Sales to an associate, Redring Solder (M) Sdn Bhd	30,473

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 :

	12 months ended 31.12.2006 RM'000
Current taxation	
Malaysian income tax	13,062
Foreign tax	12,672
Deferred tax	(6,508)
Underprovided in prior year	986
Total	20,212

The effective tax rate for the current year was higher than the statutory tax rate in Malaysia mainly due to a higher tax rate payable by a foreign subsidiary and certain expenses 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**

Following the announcement on 20 September 2006, that the Company had entered into an agreement ("the 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, on 2 November 2006 the Company announced that its substantial shareholder had placed out sufficient number of ordinary shares of RM1.00 each in the Company's shares for the Company to meet the Public Spread Requirement. The public shareholding spread of the Company as at 1 November 2006 was 25.01%.

Consequently, the Company announced that it has aborted the proposed corporate exercises as contemplated in the Agreement. The Company's shares resumed trading on 8 November 2006.

21. **Group Borrowings and Debts Securities**

Group borrowings as at 31 December 2006 comprise the following :

	31.12.2006 RM'000
Short Term Borrowings (unsecured)	
Foreign currency trade finance	224,163
Revolving credit	45,922
Bankers' acceptance	10,264
	280,349
Current portion of term loans	2,932
	283,281

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	63,383
Revolving credit (US dollar)	13,000
Term loan (Australian dollar)	1,050

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 loan is utilized for investments denominated in Australian dollar.

Short term borrowings bear interest at rates ranging from 3.32% to 7.25% (2005 : 2.7% to 6.75%) per annum. The Australian dollar term loan 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 15 February 2007, 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	8.2	28,770	Different maturity dates up to June 2007
Indonesian Rupiah	33,337	13,070	Different maturity dates up to February 2007
	Total	41,840	

b) A cross currency swap contract with a bank for the balance of AUD1.05 million term loan with a USD0.73 million term loan.

23. **Material Litigation**

Since the Company's last announcement on 27 October 2006 relating to the 3rd Quarter 2006 Interim Financial Report, there was no new development on the outstanding material litigations as at 15 February 2007, 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 <u>as Compared with the Preceding Quarter</u>**

Group pre-tax profit for the 4th quarter 2006 was RM29.75 million compared with RM10.64 million recorded in the preceding quarter. The higher profit was mainly contributed by better performance of PT Koba Tin in the 4th quarter 2006.

25. **<u>Review of Performance of the Company and its Principal Subsidiaries</u>**

Group pre-tax profit for the year ended 31 December 2006 decreased by 24.6% to RM64.68 million compared with RM85.76 million for the corresponding period of the previous year. Net attributable profit at RM41.51 million was 25.8 % lower than 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 better performance of PT Koba Tin in the 4th quarter of 2006, losses incurred by the Indonesian operations in the first three quarters of 2006 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 financial year 2006 to the date of this announcement except as noted under Note 26.

26 **<u>Current Year Prospects</u>**

The Group's earnings for first quarter 2007 have been adversely affected by the closure of all small scale mining operations within P T Koba Tin's Contract of Work area and the suspension of delivery and shipment of tin metal to Koba Tin's customers as a result of the current Indonesian police investigation on Koba Tin as part of the Indonesian Government's efforts to regulate the Country's tin mining industry. Details of the current investigations and developments at Koba Tin were announced to Bursa Malaysia on 24 January and 12 February 2007.

Although Koba Tin is allowed to continue mining and smelting of tin concentrates produced from its own dredging and gravel pump operations, the declaration of force majeure and suspension of shipment of tin metal is very disruptive to the global tin market. The Board is undertaking the necessary efforts to contain the disruption and is hopeful that an early resolution could be achieved within the first quarter of this year so that normal mining operations and shipments under a more regulated Indonesian tin industry environment could be resumed as soon as possible.

At this stage Koba Tin considers it inappropriate to make any detailed disclosure of the current efforts being undertaken to resolve this issue as this may prejudice the outcome of the current investigations.

The Group will continue to strengthen its strategic position by actively seeking to expand its tin operations as well as to increase its sources for tin worldwide.

Subject to satisfactory conclusion to the current developments at the Group's Indonesian operations and in the light of the current high tin price and barring any other unforeseen circumstances, the Board expects the overall performance of the Group for the current year to be satisfactory.

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

Not applicable.

28. **Basic Earnings Per Share**

	12 months ended 31.12.2006
Net profit attributable to equity holders of the parent (RM)	41,510,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	55.3

29 **Dividend**

The Directors recommend the payment of a final dividend of 12 sen per RM1.00 ordinary share less 27% tax (2005: 10 sen tax exempt and 5 sen less 28% tax per share) amounting to RM6.57 million which subject to the approval of the members at the forthcoming Annual General Meeting of the Company on 23 April, 2007, will be paid on 28 May, 2007 to members registered on the Company's register at the close of business at 5.00p.m. 11 May, 2007.

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

Butterworth
21 February 2006