

NOTES TO THE 1ST INTERIM FINANCIAL REPORT – 31 MARCH 2007

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 2006. 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 2006.

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 2006 except for the adoption of the following amendment to FRS effective for the financial period beginning 1 January 2007:

Amendment to FRS 119²⁰⁰⁴ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the amendment to FRS 119²⁰⁰⁴ : Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure will have no impact on the financial statements of the Group and the Company except for the following:

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses arising from post-employment defined benefit plans. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.

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

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

4. **Seasonal or Cyclical Factors**

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

5. **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 quarter.

6. **Changes in Estimates**

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

7. **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.

8. **Dividends**

There was no dividend paid or declared during the financial period ended 31 March 2007.

9. **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	486,533	370,604	13,073
Indonesia	367,058	48,962	(2,739)
Others	62,317	-	(223)
	915,908	419,566	10,111
Consolidation adjustments related to intra group transactions	(296,846)	(61,695)	-
	619,062	357,871	10,111

10. **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 2006.

11. **Events subsequent to Balance Sheet Date**

There were no material events subsequent to balance sheet date up to 2 May 2007, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report except for the suspension of the delivery and shipment of tin metal by PT Koba Tin following the police investigation since January 2007 as reported in the Company's announcements to Bursa Malaysia between January to April 2007. An export licence has subsequently been granted on 18 April 2007 to the company to resume delivery and shipment of tin metal.

The first shipment of 475 tonnes of tin metal under the new export licence was made and completed in the first week of May 2007.

12. **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.

13. **Changes in Contingent Liabilities and Contingent Assets**

At 2 May 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 2006 except as noted under Note 22.

14. **Capital Commitments**

The amount of capital commitments at 31 March 2007 was as follows :

	31.03.2007 RM'000
Approved but not contracted	24,977
Contracted but not provided for	4,307
	29,284

15. **Related Party Transactions**

The following are significant related party transactions :

	3 months ended 31.03.2007 RM'000
Management fee paid to a related company	843
Sales of products to an associate:	6,878

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.

16. **Taxation**

Taxation comprises the following :

	3 months ended 31.03.2007 RM'000
Current taxation	
Malaysian income tax	4,298
Foreign tax	-
Deferred tax	(438)
Underprovided in prior year	-
Total	3,860

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

17. 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.

18. Purchase and Sale of Quoted Securities

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

19. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 2 May 2007, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report.

20. Group Borrowings and Debts Securities

Group borrowings as at 31 March 2007 comprise the following :

	31.03.2007
	RM'000
Short Term Borrowings (unsecured)	
Foreign currency trade finance	120,995
Revolving credit	45,104
Bankers' acceptance	9,069
	175,168
Current portion of term loans	2,937
	178,105
Amount denominated in foreign currency	'000
Foreign currency trade finance (US dollar)	34,874
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 utilised for investments denominated in Australian dollar.

Short term borrowings bear interest at rates ranging from 3.87% to 7.75% (2006 : 3.32% to 7.25%) 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.

21. **Financial Instrument with Off Balance Sheet Risk**

As at 2 May 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	6.7	23,318	Different maturity dates up to June 2007

- 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.

22. **Material Litigation**

Since the Company's last announcement on 21 February 2007 relating to the 4th Quarter 2006 Interim Financial Report, there was no new development on the outstanding material litigations as at 2 May 2007, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report except for the following :

- a) The appeal at the High Court by 11 ex-workers against Rahman Hydraulic Tin Sdn Bhd. has been fixed for decision on 18 July 2007 ; and
 b) The claim filed by 43 employees retrenched by the Company in 2002 has been resolved.

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

Group pre-tax profit for the 1st quarter 2007 was RM10.11 million compared with RM29.75 million recorded in the preceding quarter.

The lower profit was due to losses incurred by the Indonesian operations mainly as a result of the temporary suspension of small scale mining operations within PT Koba Tin's Contract of Work area and of delivery and shipment of tin metal by the company following the police investigation since January 2007 as reported in the Company's announcements to Bursa Malaysia between January to April 2007. The strengthening of the Malaysian Ringgit against the US Dollar has also adversely affected the Group results.

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

Group pre-tax profit for the period ended 31 March 2007 decreased by 26.6% to RM10.11 million compared with RM13.78 million for the corresponding period of the previous year due to reasons as stated in Note 23.

No other 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 2007 to the date of this announcement.

25. **Current Year Prospects**

PT Koba Tin has been granted export licence on 18 April 2007 to resume delivery and shipment of its production of tin metal from its own dredging and gravel pump operations averaging 500 to 600 tonnes of tin metal per month. The first shipment of 475 tonnes of tin metal under the new export licence was made and completed in the first week of May 2007. However, production from small scale mining operations within its Contract of Work area still remains suspended pending the outcome of ongoing discussions with Indonesian Authorities.

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

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

Not applicable.

27. **Basic Earnings Per Share**

	3 months ended 31.03.2007
Net profit attributable to equity holders of the parent (RM)	6,509,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	8.7

28 **Dividend**

A final dividend of 12 sen per RM1.00 ordinary shares less 27% tax (2005: 10 sen tax exempt and 5 sen less 28% tax per share) amounting to RM6.57 million (2005: RM10.2 million) was approved by the members at the Annual General Meeting of the Company on 23 April 2007. It will be paid on 28 May, 2007 to members on the Company's register at the close of business at 5.00 p.m. 11 May, 2007.

No interim dividend has been declared for the financial period ended 31 March 2007.

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

Butterworth
8 May 2007