

NOTES TO THE 2ND INTERIM FINANCIAL REPORT – 30 JUNE 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

The amount of dividends paid or declared during the financial period ended 30 June 2007 were as follows :

	Net Amount Jan/June 2007 RM'000	Net Dividend Per Share Jan/June 2007 Sen
2006, Final		
12 sen less 27% tax per share paid on 28.05.07	6,570	8.8

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	550,040	708,346	30,414
Indonesia	373,808	124,463	(2,275)
Others	62,320	-	(1,337)
	986,168	832,809	26,802
Consolidation adjustments related to intra group transactions	(312,799)	(145,221)	-
	673,369	687,588	26,802

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 1 August 2007, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report except for the following :-

- i. PT Koba Tin has been granted approval to resume small scale mining operations within its Contract of Work area under a new sub-contracting arrangement.
- ii. The three directors of PT Koba Tin have been fully acquitted of all criminal charges on 1 August 2007.

12. Changes in the Composition of the Group

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 that the Group has acquired 120,000 shares of USD1 each representing 60% of the paid up capital of PT Tenaga Anugerah, a company incorporated in Indonesia for a cash consideration of USD120,000. PT Tenaga Anugerah is principally involved in offshore mining in Indonesia.

13. Changes in Contingent Liabilities and Contingent Assets

At 1 August 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 30 June 2007 was as follows :

	30.06.2007
	RM'000
Approved but not contracted	23,512
Contracted but not provided for	9,916
	33,428

15 Related Party Transactions

The following are significant related party transactions :

	6 months ended 30.06.2007 RM'000
Management fee paid to a related company	1,686
Sales of products to an associate	13,775

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 :

	6 months ended 30.06.2007 RM'000
Current taxation	
Malaysian income tax	10,042
Foreign tax	651
Deferred tax	(143)
Total	10,550

The effective tax rate for the current year was higher than the statutory tax rate in Malaysia mainly due to losses incurred by certain foreign subsidiaries not available for tax relief against the Group profit.

17. Profit on Sale of Unquoted Investment and/or Property

Save as disclosed below, there was no profit on sale of unquoted investment and/or property for the current quarter:

Gain on disposal of property	RM'000 <u>2,381</u>
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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 1 August 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 30 June 2007 comprise the following :

	30.06.2007
	RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	134,930
Revolving credit	44,934
Bankers' acceptance	44,095
	223,959
Current portion of term loans	3,041
	227,000

	30.06.2007
	RM'000
b) Long Term Borrowing (unsecured)	
Term Loan	10,500

Amount denominated in foreign currency	'000
Foreign currency trade finance (US dollar)	39,037
Revolving credit (US dollar)	13,000
Term loan (Australian dollar)	525

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. Foreign currency term loan is utilised for investments denominated in Australian dollar.

Short term borrowings bear interest at rates ranging from 3.73% 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. The Malaysian Ringgit term loan is repayable by 8 semi-annual instalments of RM1,500,000 each commencing 1 May 2008 with interest rate at 1.00% above 3 month cost of fund.

21. Financial Instrument with Off Balance Sheet Risk

As at 1 August 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	10.4	35,628	Different maturity dates up to September 2007
Indonesian Rupiah	101,660	39,727	Different maturity dates up to July 2008

- b) A cross currency swap contract with a bank for the balance of AUD0.53 million term loan with a USD0.37 million term loan.

22. Material Litigation

Since the Company's last announcement on 8 May 2007 relating to the 1st Quarter 2007 Interim Financial Report, there was no new development on the outstanding material litigations as at 1 August 2007, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report except the following:

- a) the appeal at the High Court by 11 ex-workers against Rahman Hydraulic Tin Sdn. Bhd. was dismissed with costs by the High Court.
- b) As announced to Bursa Malaysia on 1 August 2007, the three directors of PT Koba Tin have been fully acquitted of all criminal charges.

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

Group pre-tax profit for the 2nd quarter 2007 was RM16.69 million compared with RM10.11 million recorded in the preceding quarter.

The higher profit was partly due to the higher tin prices and the positive turnaround in the performance of PT Koba Tin in the 2nd quarter 2007 following the resumption of tin metal export in May 2007. PT Koba Tin was 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 mining operations.

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

Group pre-tax profit for the period ended 30 June 2007 increased by 10.33% to RM26.80 million compared with RM24.29 million for the corresponding period of the previous year due to reasons as stated in Note 23.

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 second quarter of 2007 to the date of this announcement.

25. Current Year Prospects

Performance by its principal subsidiary, PT Koba Tin, is expected to improve with the approval to resume small scale mining operations within its Contract of Work area under a new sub-contracting arrangement. PT Koba Tin anticipates production of approximately 1,000 tonnes per month commencing August 2007.

Barring any other unforeseen circumstances and in the light of the current high tin prices, the Board expects the overall performance of the Group for the second half of the current year to be better than that of the first half.

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

Not applicable.

27. Basic Earnings Per Share

	6 months ended 30.06.2007
Net profit attributable to equity holders of the parent (RM)	14,647,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	19.5

28 Dividend

The Directors have declared an Interim Dividend of 8 sen less 27% tax per share (2006: 8 sen tax exempt per share) amounting to a total of RM 4.38 million (2006: RM6.0 million) for financial year ending 31 December 2007.

NOTICE IS HEREBY GIVEN that the above interim dividend will be paid on 30 October 2007 to Depositors registered in the record of Depositors at the close of Business on 1 October 2007.

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 1 October 2007 in respect of transfers; and
- b) Shares bought 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
Sharifah Faridah Abd Rasheed
Secretaries

Butterworth
7 August 2007