

NOTES TO THE 3RD INTERIM FINANCIAL REPORT – 30 SEPTEMBER 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 September 2007 were as follows :

	Net Amount Jan/Sept 2007 RM'000	Net Dividend Per Share Jan/Sept 2007 Sen
2006, Final		
12 sen less 27% tax per share paid on 28.05.07	6,570	8.8
2007, Interim		
8 sen less 27% tax per share declared on 07.08.07	4,380	5.8
	10,950	14.6

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	648,470	1,214,543	43,143
Indonesia	331,331	271,959	2,201
Others	62,323	-	(2,176)
	1,042,124	1,486,502	43,168
Consolidation adjustments related to intra group transactions	(283,026)	(308,392)	-
	759,098	1,178,110	43,168

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 27 October 2007, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report except that the Company had subscribed a total of 226,863,490 new shares amounting to approximately RM5.5 million in a renounceable rights issue exercise by an associate, Australia Oriental Minerals NL (AOM). The Company's direct shareholding in AOM has increased from 39.45% to 49.11%.

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.

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

At 27 October 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 the announcement of the 2nd Quarter 2007 Interim Financial Report on 7 August 2007.

14. **Capital Commitments**

The amount of capital commitments at 30 September 2007 was as follows :

	30.09.2007
	RM'000
Approved but not contracted	23,205
Contracted but not provided for	8,311
	31,516

15 **Related Party Transactions**

The following are significant related party transactions :

	9 months ended 30.09.2007 RM'000
Management fee paid to a related company	2,529
Sales of products to an associate	26,466

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 :

	9 months ended 30.09.2007 RM'000
Current taxation	
Malaysian income tax	11,933
Foreign tax	6,232
Deferred tax	(479)
Total	17,686

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

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 27 October 2007, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, except that on 16 August 2007, the Company announced that it had entered into a heads of agreement with Metal Resources Capital Limited (MERC) in relation to the intention of the Company and MERC to collaborate in the development of tin and other mineral resources in Indonesia.

Further to 27 October 2007, the Company also announced that it had entered into a Joint Venture Contract with Guangxi Guilin Jinwei Realty Co Ltd and Vertex Metals Incorporation to establish a new joint venture company named Guilin Hinwei Tin Technology Co. Ltd, for the smelting and refining of tin, and the production and sale of tin and tin-based products in the People's Republic of China on 29 October 2007.

20. **Group Borrowings and Debts Securities**

Group borrowings as at 30 September 2007 comprise the following :

	30.09.2007
	RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	252,349
Revolving credit	42,257
Bankers' acceptance	8,511
	303,117
Current portion of term loans	3,078
	306,195

	30.09.2007
	RM'000
b) Long Term Borrowing (unsecured)	
Term Loan	10,500

	'000
Amount denominated in foreign currency	
Foreign currency trade finance (US dollar)	73,453
Revolving credit (US dollar)	12,300
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**

As 27 October 2007, the Group had the following outstanding financial instruments:

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	12.6	43,329	Different maturity dates up to December 2007
Indonesian Rupiah	101,750	37,548	Different maturity dates up to August 2008

22. **Material Litigation**

Since the Company's last announcement on 7 August 2007 relating to the 2nd Quarter 2007 Interim Financial Report, there was no new development on the outstanding material litigations at 27 October 2007, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

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

Group pre-tax profit for the 3rd quarter 2007 was RM16.37 million compared with RM16.69 million recorded in the preceding quarter.

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

Group pre-tax profit for the period ended 30 September 2007 increased by 23.6% to RM43.17 million compared with RM34.93 million for the corresponding period of the previous year due to higher tin prices and a better performance by PT Koba Tin following the resumption of tin metal export in May 2007.

Small scale mining within PT Koba Tin's Contract of Work area (COW) also resumed operations in August 2007 albeit at a much lower scale under a new sub-contracting arrangement. The latest revision in the provincial forestry boundary resulting in an enlarged production forest area within the COW's boundary has also restricted small scale mining operations.

With the reduction in PT Koba Tin's tin metal production to about 1,000 tonnes per month, the company is in the process of undertaking a major cost rationalization programme to improve its operating efficiency. As a result, the Group will incur one-off major rationalization expenses arising from the need to resize and to reduce manpower in PT Koba Tin.

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 2007 to the date of this announcement.

25. **Current Year Prospects**

Performance by the Company's principal subsidiary, PT Koba Tin, is expected to improve progressively as the benefits of the on-going rationalization programme are being realized.

Barring any other unforeseen circumstances and in the light of the current high tin prices, the Board expects the Group's pre-tax profit for the current year to be better than that of the previous year.

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

Not applicable.

27. **Basic Earnings Per Share**

	9 months ended 30.09.2007
Net profit attributable to equity holders of the parent (RM)	22,107,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	29.5

28. **Dividend**

An interim dividend of 8 sen less 27% tax per share (2006: 8 sen tax exempt per share) for the financial year ending 31 December 2007, amounting to RM4.38 million was paid on 30 October 2007.

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

Butterworth
2 November 2007