

NOTES TO THE 4th INTERIM FINANCIAL REPORT – 31 DECEMBER 2010

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 2009. 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 2009.

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 2009 except for the adoption of the following new FRSs and Interpretations, and amendments to certain FRSs and Interpretations for financial period beginning 1 July 2009 and 1 January 2010:

Effective for financial periods beginning on or after 1 July 2009

FRS 8: Operating Segments

Effective for financial periods beginning on or after 1 January 2010

FRS 4: Insurance Contracts

FRS 7: Financial Instruments: Disclosures

FRS 101: Presentation of Financial Statements (revised)

FRS 123: Borrowing Costs (revised)

FRS 139: Financial Instruments: Recognition and Measurement

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and

FRS 127: Consolidation and Separate Financial Statements: Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 132: Financial Instruments: Presentation

Amendments to FRS 139: Financial Instruments: Recognition and Measurement,

FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

Amendments to FRSs: 'Improvements to FRSs (2009)'
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11 FRS 2: Group and Treasury Share Transactions
IC Interpretation 13 : Customer Loyalty Programmes

IC Interpretation 14 FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR I – 3: Presentation of Financial Statements of Islamic Financial Institutions

Unless otherwise described below, the adoption of the above pronouncements are expected to have no significant impact to the financial statements of the Group upon their initial application:

FRS 8: Operating Segment

FRS 8 replaces FRS 114₂₀₀₄: Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to

result in increased disclosures, both quantitative and qualitative of the Group's exposure to risks, enhanced disclosure regarding components of the Group's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group is exempted from disclosing the possible impact to the financial statements upon the initial application.

Amendments to FRSs 'Improvements to FRSs (2009)'

- (i) FRS 117 Leases: Clarifies on the classification of leases of land and buildings. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings.
- (ii) FRS 132 Financial Instruments: Disclosures and Presentation will be renamed as Financial Instruments: Presentation upon the adoption of FRS 7 Financial Instruments: Disclosures. The amendments provide a limited scope exception for puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. An instrument that meets the definition of a financial liability is classified as an equity instrument only if it fulfills a number of specific features and conditions as stipulated in the Standard.

Improving Disclosure about Financial Instruments (Amendments to FRS 7)

The Improving Disclosures about Financial Instruments reinforces existing principles for disclosures about liquidity risk. Also, the Amendments require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy is introduced. An entity is required to classify fair value measurements using this hierarchy which aims to reflect the inputs used in making the measurement. These Amendments do not have any impact on the financial position and results of the Group and of the Company.

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

The auditors' report on the financial statements for the year ended 31 December 2009 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 cash flow because of their nature, size or incidence for the current financial year to date except for following:

	4th Qtr ended 31.12.2010 RM'000	Year to date ended 31.12.2010 RM'000	Remarks
a. Loss on disposal and impairment for investment in BCD Resources NL	17,351	47,062	Investment was fully divested in December 2010.
b. Impairment provision for investment in Guilin Hinwei Tin Co. Ltd (Hinwei)	1,800	8,800	Based on assessment made by management.
c. Impairment provision for investment in Asian Mineral Resources Limited	13,023	58,127	Based on fair value as at balance sheet date.
d. Impairment provision for mining asset	21,726	56,357	Based on independent valuation by a professional firm.
e. Impairment provision for goodwill arising from acquisition of subsidiaries	-	5,188	-
f. Gain on disposal of investment in PT Tenaga Anugerah	(21,056)	(21,056)	Investment was divested in November 2010.
Net	32,844	154,478	

The unusual item of RM65,004,000 for 2009 was in respect of a gain arising from the acquisition of KM Resources, Inc., the holding company for the Rapu Rapu Polymetallic Project.

6. **Changes in Estimates**

There were no changes in estimates that have had a material effect for the current financial year to date.

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 financial year.

8. **Dividend Paid**

The amount of dividend paid or declared during the financial year ended 31 December 2010 were as follows:

	Net Amount Jan/ Dec 2010 RM'000	Net Dividend Per Share Jan/Dec 2010 Sen
2009 Final		
3 sen less 25% tax per share paid on 12.05.2010	1,687	2.25

9. **Segmental Reporting**

The Company and its principal subsidiaries operate principally within the tin industry. The Group operates mainly in three geographical areas namely, Malaysia, Indonesia and Australia. Geographical segment revenue and assets are based on geographical location of the Group's assets.

The segmental reporting by geographical locations for the current financial year-to-date was as follows:

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	Malaysia	Indonesia	Australia	Others	(Eliminations)/ Adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
Sales to external customers	2,726,985	11,849	-	-	-	2,738,834
Inter-segment sales	-	414,066	-	-	(414,066)	-
Total revenue	2,726,985	425,915	-	-	(414,066)	2,738,834
Results						
Segment results	85,119	15,930	(2,235)	(1,613)	(3,202)	93,999
Finance costs	(18,645)	(6,496)	-	-	2,775	(22,366)
Share of profit/(loss) of associates and jointly controlled entity	2,842	(3,883)	(3,860)	9,283	-	4,382
Profit/(Loss) before unusual items	69,316	5,551	(6,095)	7,670	(427)	76,015
Unusual items	(657)	(39,832)	(47,062)	(66,927)	-	(154,478)
Profit/(Loss) before tax	68,659	(34,281)	(53,157)	(59,257)	(427)	(78,463)
Income tax expense	(22,054)	179	-	-	107	(21,768)
Net profit/(loss) for the year	46,605	(34,102)	(53,157)	(59,257)	(320)	(100,231)
Assets						
Segment assets	662,817	408,886	7,278	45	(2,228)	1,076,798
Investment in associates and jointly controlled entity	20,307	-	-	128,232	-	148,539
Total assets	683,124	408,886	7,278	128,277	(2,228)	1,225,337
Liabilities						
Segment liabilities	696,397	218,451	1,513	1,551	-	917,912

10. **Property, Plant and Equipment**

The land and buildings have been revalued in December 2010, giving net revaluation surplus of RM3.76 million.

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

There were no material events subsequent to balance sheet date up to 17 February 2011, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, except:

- (a) On 7 January 2011, the Company did not exercise its warrants in Asian Mineral Resources Limited (“AMR”) resulting in its shareholding in AMR being diluted from 18.22% to 15.42%.
- (b) On 26 January 2011, a total of 25,000,000 new ordinary shares of RM1.00 each of the Company were issued and allotted pursuant to the public issue for the secondary listing of its shares in Singapore Exchange Securities Trading Limited (SGX-ST). This resulted in the increase of its issued and paid-up capital from RM75,000,000 to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each. On 27 January 2011, the secondary listing was completed following the listing and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Board of SGX-ST.

12. **Changes in the Composition of the Group**

There was no change in the composition of the Group for the 4th quarter 2010 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations, except for the following:

- a. On 27 December 2010, the Company announced that it had disposed of the remaining 45 million BCD Resources NL (BCD) shares. With this disposal, the Company ceased to be a shareholder of BCD. This is in line with the stated objective of the Company to divest its non-tin assets.
- b. On 27 December 2010, the Company announced that it had entered into a Share Sale and Purchase Agreement with TMR Ltd (“TMR”), a Bermuda incorporated company, for the sale of 120,000 ordinary shares of USD1.00 each, representing 40.0% of the total issued and paid-up shares in PT Tenaga Anugerah (“PT TA”). The consideration of USD5,515,790 was based on the revalued PT TA net tangible assets, on willing seller-willing buyer basis and was satisfied by allotment and issue of 27,578,950 shares of USD0.20 each in TMR. Concurrently, MSC also entered into a novation agreement with PT TA and TMR for novation of MSC’s loan from PT TA to TMR amounting to USD5,507,352, in exchange of new 27,536,760 shares at USD0.20 each issued to MSC.

With the completion of this exercise on 23 November 2010, MSC now owns 55,115,710 TMR shares valued at USD0.20 per share which represent 18.54% of TMR's enlarged share capital. TMR in turn has 99% shareholding in PT TA.

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

Since the Company's last announcement of the 3rd Quarter 2010 Interim Financial Report on 4 November 2010, there was no new development on the outstanding contingent liabilities or contingent assets as at 17 February 2011, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, except as disclosed in Note 22.

14. **Capital Commitments**

The amount of capital commitments at 31 December 2010 was as follows:

	31.12.2010 RM'000
Approved but not contracted	5,255
Contracted but not provided for	11,474
	16,729

15 **Related Party Transactions**

The following are significant related party transactions :

	12 months ended 31.12.2010 RM'000
Management fee paid/ payable to related companies	348
Sales of products to an associate	53,917

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 :

	12 months ended 31.12.2010 RM'000
Current taxation	
Malaysian income tax	24,404
Foreign tax	11,482
Deferred tax	(14,022)
Overprovided in prior year	(96)
Total	21,768

The overall effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to certain non-tax deductible expenses as well as losses incurred by certain subsidiaries which cannot be set off against taxable profits made by other companies within the Group.

17. Sale of Unquoted Investment and/or Property

There was no sale of unquoted investment and/or property for the 4th quarter 2010, except as disclosed in Note 12(b).

18. Purchase and Sale of Quoted Securities

There was no purchase or sale of quoted securities in the 4th quarter 2010, except as disclosed in Note 12(a).

19. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 17 February 2011, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, except for the following:-

- a. On 29 October 2007, the Company announced that it had entered into a Joint Venture Contract with Guangxi Guilin Jinwei Realty Co Ltd (GGJR) and Vertex Metals Incorporation to establish a joint venture company named Guilin Hinwei Tin Co. Ltd, for smelting and refining of tin, and the production and sale of tin and tin-based products in the People's Republic of China. GGJR has difficulties in fulfilling certain obligations within the specific time frame and the Group has made an impairment provision of RM8.8 million.

- b. On 23 July 2009, The Company entered into a Share Sale Agreement with Oberthur Investment Limited (Oberthur) and Robert Priantono Bonosusatya for the proposed disposal of up to 30% equity interest in Bemban Corporation Limited (BCL) for a cash consideration of USD9.0 million. BCL, a wholly-owned subsidiary of the Company, is principally an investment holding company and is the legal and beneficial owner of the entire issued and paid-up share capital of Kajuara Mining Corporation Pty Ltd which in turn has a sole investment, being 75% equity interest in PT Koba Tin in Indonesia. Oberthur is principally an investment holding company owned by an Indonesian based group which involved in tin, minerals and resource development. Oberthur has until 31 March 2011 to complete the transaction.
- c. On 3 September 2009, the Company announced that it plans to divest its 22.12% shareholdings in BCD Resources NL (BCD), a company listed on Australia Securities Exchange and its 30% stake in the Rapu-Rapu Polymetallic Project in Philippines in line with its intention to focus its effort on cost rationalization and reduction as well as working on various alternatives to reduce its overall gearing including possible divestments of some of the Group's non-tin assets. As disclosed in Note 12, the Company announced on 27 December 2010 that it had disposed of the remaining 45 million BCD shares. The Company also reclassified its 76.91% interest in Australia Oriental Minerals NL and 53.04% effective interest in Asiatic Coal Pte Ltd as a disposal group held for sale.

20. Group Borrowings and Debts Securities

Group borrowings as at 31 December 2010 comprise the following :

	31.12.2010
	RM'000
a) Short Term Borrowings (unsecured)	
Revolving credit	27,815
Foreign currency trade finance	40,321
Bankers' acceptances	508,109
	576,245
Current portion of long term borrowings	42,403
	618,648

	31.12.2010
	RM'000
b) Long Term Borrowings (unsecured)	
Term loans	43,760
Revolving credit	38,632
	82,392

Amount denominated in foreign currency	'000
Foreign currency trade finance (US dollar)	13,046
Revolving credits (US dollar)	25,500
Term loans (US dollar)	22,910

Foreign currency trade finance is utilized for working capital requirements involving purchases and sales of tin concentrates and tin metal denominated in US dollar.

Short term borrowings bear interest at rates ranging from 1.06% to 4.15% (2009: 0.75% to 4.97%) per annum for the Company and 1.06% to 4.15% (2009: 0.75% to 14.35%) per annum for the Group.

The long term borrowings bear interest at rates of between 0.85% to 1.25% above banks' cost of funds and are repayable by quarterly and semi-annual installments.

21. Derivative Financial Instruments

As at 31 December 2010, the Group had the following outstanding derivative financial instruments:-

Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain/(Loss) - Net of Tax RM'000
i) Interest Rate Swap on loan - 1 to more than 3 years	58,468	57,093	(1,031)
ii) Foreign Currency Forward Contracts - Less than 1 year	69,428	68,269	869

The Group adopted the accounting policy on derivative financial instruments in compliance with FRS 139 – Financial Instruments: Recognition and Measurement on 1 January 2010. With the adoption of FRS 139, financial derivatives are recognised accordingly in the financial statements and there is no off-balance sheet financial instruments.

The interest rate swap contract and foreign currency forward contracts are all entered for hedging purposes.

During the year, the Group has recognised a fair value gain net of tax of RM2.31 million in its income statement.

22. **Material Litigation**

Since 31 December 2009, there was no new development on the outstanding material litigations at 17 February 2011, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, except for the following:

- On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. On 9 February 2011, the Penang High Court delivered a decision that the Company has to pay RM121,200 and interest at the rate of 4% per annum from the date of claim to the date of judgment. Further interest at 8% per annum is payable after date of judgment to date of payment.

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

The Group recorded a lower RM8.46 million pre-tax profit before unusual items in 4th quarter 2010 compared with RM23.41 million recorded in the preceding quarter. This was mainly due to higher provisions for mine reclamation and royalty payable on the tin mining operations and share of loss from the Group's non-tin investment in KM Resources Inc, the holding company for the Rapu Rapu polymetallic project.

In line with the Group's ongoing review of its non-tin assets carried out in December 2010, the Group made further impairment provisions in 4th quarter 2010 as disclosed under Note 5.

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

Group revenue increased by 47.91% to RM2.74 billion for the year ended 31 December 2010 from RM1.85 billion for the previous corresponding year. This was contributed by higher business volume and higher tin prices.

The Group recorded a lower RM8.46 million pre-tax profit before unusual items in 4th quarter 2010 compared with RM26.65 million in 4th quarter 2009. This was mainly due to reasons stated in Note 23.

The Group recorded a higher RM76.02 million pre-tax profit before unusual items for the year ended 31 December 2010, a 69.5% increase from RM44.84 million for the previous corresponding year. This was contributed by higher operating profits by its tin mining and smelting operations in Malaysia and Indonesia due to higher business volume and tin prices and higher share of profit from associates and a jointly controlled entity.

25. Current Year Prospects

In the light of high metal prices and barring any unforeseen circumstances, the Board expects the Group's operating performance for the current year to be satisfactory.

26. Basic Earnings/ (Loss) Per Share

	12 months ended 31.12.2010
Net profit/(loss) attributable to equity holders of the Company (RM)	(80,248,000)
Number of ordinary shares in issue	75,000,000
Net earnings/(loss) per share (sen)	(107.0)

27. **Realised and Unrealised Profits/Losses**

	Current Quarter Ended 31.12.2010 RM'0000	Preceding Quarter Ended 30.09.2010 RM'0000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	92,800	117,851
- Unrealised	10,720	17,262
	<u>103,520</u>	<u>135,113</u>
Total share of retained profits/(accumulated losses) from associated companies:		
- Realised	(6,944)	(10,111)
- Unrealised	(23)	(23)
Total share of retained profits/(accumulated losses) from jointly controlled entity:		
- Realised	12,519	16,325
- Unrealised	(128)	(128)
	<u>108,944</u>	<u>141,176</u>
Add: Consolidation adjustments	<u>90,996</u>	<u>80,813</u>
Total group retained profits/(accumulated losses) as per consolidated financial statements	<u><u>199,940</u></u>	<u><u>221,989</u></u>

28. **Dividend Payable**

No interim dividend is declared for the quarter ended 31 December 2010.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
24 February 2011