

## **NOTES TO THE INTERIM FINANCIAL REPORT – 30 JUNE 2004**

### **1 Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting 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 2003. 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 2003.

The accounting policies and methods of computation used in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2003.

### **2 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2003 was not qualified.

### **3 Seasonal or Cyclical Factors**

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

### **4 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 except the provision for diminution in value of quoted share in an associate amounting to RM8.0 million.

### **5 Changes in Estimates**

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

### **6 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.

## 7 **Dividends**

The amount of dividend paid or declared during the financial period ended 30 June 2004 was as follows :

	<b>Net Amount</b>	<b>Net Dividend Per Share</b>
	<b>Jan/Jan 2004 RM'000</b>	<b>Jan/Jan 2004 Sen</b>
<b>2003, 2<sup>nd</sup> Interim</b>		
14 sen less tax per share paid on 18.5.2004	7,560	10.1

## 8 **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 are as follows :

<b>Geographical Location</b>	<b>Total Assets Employed RM'000</b>	<b>Revenue RM'000</b>	<b>Pre-Tax Profit RM'000</b>
Malaysia	356,852	691,378	8,308
Indonesia	231,936	317,384	54,072
Others	15,533	-	(1,295)
	604,321	1,008,762	61,085
Consolidation adjustments related to intra group transactions	-	(211,816)	-
	604,321	796,946	61,085

## 9 **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 2003.

The Company had entered into a Sale and Purchase Agreement with a wholly-owned subsidiary MSC Properties Sdn Bhd on 19 May 2004 to transfer its land and buildings at No. 27 Jalan Pantai, 12000 Butterworth at RM24 million to the said subsidiary.

## 10 **Events subsequent to Balance Sheet Date**

There was no material event subsequent to the balance sheet date as at 18 August 2004, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report.

## 11 **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.

12 **Changes in Contingent Liabilities and Contingent Assets**

At 18 August 2004, the latest practical 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 2003.

13 **Capital Commitments**

The amount of capital commitments not provided for in the interim financial statements at 30 June 2004 was as follows :

	<b>RM'000</b>
Contracted but not provided for	20

14 **Related Party Transactions**

The following are significant related party transactions :

	<b>6 months ended 30.06.2004 RM'000</b>
Sales to an associate, Redring Solder (M) Sdn Bhd	12,529
Purchase from an associate, Marlborough Resources NL	10,042

The above transactions arose in the normal course of business on a negotiated basis.

15 **Taxation**

Taxation comprises the following :

	<b>6 mths ended 30.06.2004 RM'000</b>
Current Taxation	
Malaysian income tax	3,290
Foreign tax	16,394
Deferred tax	(56)
Associated companies	244
<b>Total</b>	<b>19,872</b>

The effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to the higher tax rate payable by a foreign subsidiary and certain expenses not deductible for tax purposes.

16 **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.

17 **Purchase and Sale of Quoted Securities**

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

18 **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 18 August 2004 the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report. The proposed acquisition of a 25% equity interest in ZR Minerals Sdn Bhd was aborted as the conditions precedent particularly the renewal of the mining leases were not met.

19 **Group Borrowings and Debts Securities**

Group borrowings as at 30 June 2004 comprise the following :

	<b>30.06.04</b>
	<b>RM'000</b>
a) <b>Short Term Borrowings (unsecured)</b>	
Bankers Acceptances	30,080
Foreign currency trade finance	99,248
Revolving Credit	30,396
	<hr/>
	159,724
Current portion of term loans	12,215
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	171,939
b) <b>Long Term Borrowings (unsecured)</b>	
Term Loans	<hr/>
	20,982
<b>Amount denominated in foreign currency</b>	<b>'000</b>
Foreign currency trade finance ( US Dollar )	26,118
Revolving credit (US Dollar)	8,000
Term loan 1 ( US Dollar )	6,250
Term loan 2 ( Australian Dollar )	3,675

Foreign currency trade finance and revolving credit are utilised for working capital requirements involving purchases and sales of concentrates and tin metal denominated in US Dollar. Term loans are utilized for investments denominated in US Dollar and Australian Dollar respectively.

Short term borrowings bear interest at rates ranging from 1.52% to 6.80% (2003 : 1.45% to 6.80%) per annum. The US Dollar term loan 1 is repayable by 8 semi-annual instalments of USD1.25 million each commencing 5 April 2003 with interest rate at 1% above 3 months Singapore Interbank Offer Rate. The Australian Dollar term loan 2 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.

20 **Financial Instrument with Off Balance Sheet Risk**

As at 18 August 2004, the Company had the following outstanding financial instruments:

- a) Forward foreign currency hedging contracts in respect of the Company's sales and purchases of tin :-

<b>Currency</b>	<b>Contract Amount (‘000)</b>	<b>Equiv. Amount RM‘000</b>	<b>Maturity Dates</b>
<b>USD</b>	89,200	340,023	Different maturity dates up to January 2006

- b) A cross currency swap contract with a bank for its AUD4.20 million term loan with a USD2.94 million term loan.

21 **Material Litigation**

There was no material litigation at 18 August 2004, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

22 **Material Change in the Quarterly Results  
as compared with the Preceding Quarter**

Group pre-tax profit for the 2<sup>nd</sup> quarter 2004 was RM38.37 million compared with RM18.71 million recorded in the 1<sup>st</sup> quarter 2004. The increase was due to a higher profit contribution from PT Koba Tin and a better tin price.

23 **Review of Performance of the Company and its Principal Subsidiaries**

Group pre-tax profit for the 6 months period increased by 121.8% to RM57.09 million compared to RM25.74 million in the corresponding period of the previous year. The increase was due to the improvement in the results of the Butterworth operations as well as a higher profit contribution from PT Koba Tin and a better tin price.

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 current financial period to the date of this announcement.

24 **Current Year Prospects**

Barring any unforeseen circumstances and subject to tin prices continuing to remain at the current favourable level, the Group's performance for the 2<sup>nd</sup> half year is expected to continue to be good.

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

Not applicable.

26 **Basic Earnings Per Share**

	<b>6 mths ended 30.06.2004</b>
Net profit for the period	27,653,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	36.9

27 **Dividend**

An interim dividend of 15 sen per share less 28% tax (2003: 8 sen per share tax exempt) for year ending 31 December 2004 has been declared and payable on 28 September 2004 to shareholders registered on the Company's register at the close of business at 4.00 pm on 16<sup>th</sup> September 2004.

By Order of the Board  
Abdul Rahim Hussain  
Secretary

Butterworth  
25 August 2004