

(Tempatan 43072 - A )  
**MALAYSIA SMELTING CORPORATION BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

at 30 June 2009

	As at end of current quarter 30.06.2009 RM'000	As at preceding financial year end 31.12.2008 RM'000
Note		
<b>NON-CURRENT ASSETS</b>		
Property, Plant and equipment	117,205	106,921
Prepaid land lease payments	1,377	1,298
Base Inventory	3,000	3,000
Mining rights	3,215	4,621
Investment in associates	192,610	194,500
Other investments	47,256	47,261
Other assets	74,622	64,728
Deferred tax asset	22,965	18,073
	<u>462,250</u>	<u>440,402</u>
<b>CURRENT ASSETS</b>		
Inventories	334,039	260,823
Trade receivables	116,463	154,464
Other receivables	93,976	84,946
Tax recoverable	32,722	32,722
Amount due from related companies	2,728	2,916
Amount due from associates	17,375	13,699
Cash, bank balances and deposits	55,397	72,574
	<u>652,700</u>	<u>622,144</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	31,477	17,905
Other payables	59,204	48,157
Provisions for liabilities	2,200	320
Amount due to an associate	500	550
Taxation	4,950	18,836
Borrowings (unsecured)	490,436	503,247
	<u>588,767</u>	<u>589,015</u>
<b>NET CURRENT ASSETS</b>		
	<u>63,933</u>	<u>33,129</u>
	<u>526,183</u>	<u>473,531</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	75,000	75,000
Reserves	224,763	221,499
	<u>299,763</u>	<u>296,499</u>
<b>Minority interests</b>	41,283	44,033
<b>Total Equity</b>	<u>341,046</u>	<u>340,532</u>
<b>NON-CURRENT LIABILITIES</b>		
Provisions for liabilities	28,534	28,691
Deferred tax liabilities	2,090	2,033
Borrowing (unsecured)	154,513	102,275
	<u>185,137</u>	<u>132,999</u>
	<u>526,183</u>	<u>473,531</u>

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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**MALAYSIA SMELTING CORPORATION BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

for the period ended 30 June 2009

	Note	← 2 nd Quarter →		← Year Date →	
		3 months ended		6 months ended	
		30.06.2009	30.06.2008	30.06.2009	30.06.2008
		RM'000	RM'000	RM'000	RM'000
Revenue		418,092	595,769	769,741	1,168,367
Profit from operations		19,573	11,845	13,472	40,833
Gross interest income		2,113	4,209	4,731	5,562
Gross interest expense		(6,973)	(4,488)	(13,848)	(8,429)
Share of loss of associates		(4,051)	(3,478)	(2,850)	(4,410)
<b>Profit before taxation</b>		10,662	8,088	1,505	33,556
Taxation	16	(4,254)	(5,484)	(3,690)	(13,443)
<b>Profit/ (Loss) for the period</b>		6,408	2,604	(2,185)	20,113
Attributable to:					
Equity holders of the Company		6,989	3,027	1,398	18,335
Minority interests		(581)	(423)	(3,583)	1,778
		6,408	2,604	(2,185)	20,113
Basic earnings per share ( sen )	28	9.3	4.0	1.9	24.4
Proposed/Declared dividend per share ( sen )	29			-	8.0
Net assets per share attributable to ordinary holders of the Company ( RM )				4.00	3.95

As at end of current quarter      As at preceding financial year end

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company						Minority interests	Total Equity
	Share capital RM ' 000	Share premium RM ' 000	Non - Distributable Revaluation reserve RM ' 000	Foreign exchange reserve RM ' 000	Distributable Retained earnings RM ' 000	Sub-total RM ' 000		
<b>At 1 January 2008</b>	75,000	1,706	11,415	(13,853)	275,859	350,127	45,416	395,543
Foreign exchange differences representing net loss not recognised in the income statement	-	-	-	(2,034)	-	(2,034)	(785)	(2,819)
Net expense recognised directly in equity	-	-	-	(2,034)	-	(2,034)	(785)	(2,819)
Profit for the period	-	-	-	-	18,335	18,335	1,778	20,113
Total recognised income and expense for the period	-	-	-	(2,034)	18,335	16,301	993	17,294
Dividend	-	-	-	-	(13,050)	(13,050)	-	(13,050)
<b>At 30 June 2008</b>	<b>75,000</b>	<b>1,706</b>	<b>11,415</b>	<b>(15,887)</b>	<b>281,144</b>	<b>353,378</b>	<b>46,409</b>	<b>399,787</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)**

	Attributable to equity holders of the Company						Minority Interests RM ' 000	Total Equity RM ' 000
	Share capital RM ' 000	Share premium RM ' 000	Non - Distributable		Distributable			
			Revaluation reserve RM ' 000	Foreign exchange reserve RM ' 000	Retained earnings RM ' 000	Sub-total RM ' 000		
<b>At 1 January 2009</b>	75,000	1,706	15,105	(7,344)	212,032	296,499	340,532	
Foreign exchange differences representing net gain not recognised in the income statement	-	-	-	1,866	-	1,866	2,699	
Net income recognised directly in equity	-	-	-	1,866	-	1,866	2,699	
Profit/ (loss) for the period	-	-	-	-	1,398	1,398	(2,185)	
Total recognised income and expense for the period	-	-	-	1,866	1,398	3,264	514	
Dividend	-	-	-	-	-	-	-	
<b>At 30 June 2009</b>	<b>75,000</b>	<b>1,706</b>	<b>15,105</b>	<b>(5,478)</b>	<b>213,430</b>	<b>299,763</b>	<b>341,046</b>	

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

for the period ended 30 June 2009

	2009 RM'000	2008 RM'000
<b>Cash used in operations</b>	(4,918)	(43,094)
Interest paid	(15,836)	(8,109)
Income tax paid	(22,652)	(17,120)
Severance benefits paid	(1,055)	(101)
<b>Net cash used in operating activities</b>	<u>(44,461)</u>	<u>(68,424)</u>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(945)	(5,809)
Payment for prepaid lease payments	(112)	-
Purchase of shares in associates	(692)	(103,965)
Payment for an insurance scheme	-	(2,098)
Payment for mining rights	-	(181)
Payment of deferred mine development and exploration expenditure	(13,557)	(38,481)
Proceeds from disposal of property, plant and equipment	203	-
Interest received	4,945	5,561
<b>Net cash used in investing activities</b>	<u>(10,157)</u>	<u>(144,973)</u>
<b>Financing Activities</b>		
Borrowing of short term trade financing	46,141	164,267
Borrowing of term loans	-	115,350
Repayment of term loans	(8,701)	(1,500)
Dividend paid	-	(13,050)
<b>Net cash from financing activities</b>	<u>37,440</u>	<u>265,067</u>
<b>Net Change in Cash &amp; Cash Equivalents</b>	(17,178)	51,670
<b>Cash &amp; Cash Equivalents at 1 January</b>	72,575	51,930
<b>Cash &amp; Cash Equivalents at 30 June</b>	<u>55,397</u>	<u>103,600</u>

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE 2<sup>nd</sup> INTERIM FINANCIAL REPORT – 30 JUNE 2009**

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 2008. 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 2008.

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 2008.

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

The auditors' report on the financial statements for the year ended 31 December 2008 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 at the end of 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. **Dividend Paid**

There was no dividend paid or declared in the current quarter.

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 :-

<b>Geographical Location</b>	<b>Total Assets Employed RM'000</b>	<b>Revenue RM'000</b>	<b>Pre-Tax Profit/(Loss) RM'000</b>
Malaysia	913,515	802,714	27,413
Indonesia	476,690	151,915	(24,193)
Others	62,333	-	(1,715)
	1,452,538	954,629	1,505
Consolidated adjustments related to intra group transactions	(337,588)	(184,888)	-
	1,114,950	769,741	1,505

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 December 2008.

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

There were no material events subsequent to balance sheet date up to 6 August 2009, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report.

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

There was no change in the composition of the Group for the 2nd quarter 2009 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations, except that the Company has subscribed for 2,160,000 new shares in Asian Mineral Resources Limited (AMR), a company listed on Toronto Stock Exchange, with a total cost of approximately RM692,000. AMR remains as an associated company of the Group.

### 13 Changes in Contingent Liabilities and Contingent Assets

At 6 August 2009, 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 2008 except for the following:-

- a. The Company's subsidiary in Indonesia has been successful in its appeal against the various assessments for taxes and penalties for fiscal year 2005.
- b. As announced to Bursa Malaysia on 19 June 2009, the President Director of PT Koba Tin, was found not guilty and was cleared of all charges by an Indonesian Court in connection with allegations that PT Koba Tin's Merapin dredge was occupying and mining in a protected forest area. The said dredge ceased operations in October 2002.

### 14. Capital Commitments

The amount of capital commitments at 30 June 2009 was as follows :

	<b>30.06.2009</b> <b>RM'000</b>
Approved but not contracted	-
Contracted but not provided for	847
	<b>847</b>

### 15 Related Party Transactions

The following are significant related party transactions :

	<b>6 months ended</b> <b>30.06.2009</b> <b>RM'000</b>
Management fee paid/ payable to related companies	3,712
Sales of products to an associate	14,034

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 :

	<b>6 months ended 30.06.2009 RM'000</b>
Current taxation	
Malaysian income tax	(8,428)
Foreign tax	-
Deferred tax	4,738
<b>Total</b>	<b>(3,690)</b>

The overall effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to losses of 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 2<sup>nd</sup> quarter 2009.

18. **Purchase and Sale of Quoted Securities**

There was no purchase or sale of quoted securities in the 2<sup>nd</sup> quarter 2009 except as mentioned in Note 12.

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 6 August 2009, 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 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. The transaction is expected to be completed by 31 December 2009.
- b. On 17 April 2008, the Company announced that it had entered into a Framework Agreement with Philco Resources Limited, LG International Corp and Korea Resources Corporation pertaining to the Company's proposed investment for a 30% interest in the Rapu Rapu Copper, Gold,

Zinc and Silver Project in Philippines, at an estimated cost of approximately USD18.9 million. The transaction is expected to be completed by 30 September 2009.

- c. On 23 September 2008, the Company announced that its public shareholding spread of 22.67% is not in compliance with the requirement as stipulated in paragraph 8.15(1) of Bursa Malaysia Listing Requirements, pursuant to a substantial shareholder notice received from Siong Lim Private Limited on 18 September 2008. Bursa Malaysia has granted extension of time up to 22 September 2009 for the Company to comply with the public shareholding spread requirement pursuant to paragraph 8.15(1) of Bursa Malaysia Listing Requirements.
- d. On 23 February 2009, the Company together with its 40% partner, Tenaga Anugerah Sdn Bhd, entered into a number of agreements to facilitate the restructuring of its 60% subsidiary, PT Tenaga Anugerah (PT TA). With the signing of these Agreements, the shareholding structure of PT TA held via Diversified Minerals Private Limited, a company incorporated in Singapore will be as follows:

MSC	: 40%
Tenaga Anugerah Sdn. Bhd	: 30%
PT Sarana Marindo	: 30%.

The transaction is expected to be completed by 31 December 2009.

- e. On 23 July 2009, The Company entered into a Share Sale Agreement with Oberthur Investment Limited (Oberthur) and Robert Priantono Bonosusatya for 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. Oberthur is principally an investment holding company owned by an Indonesian based group involved in tin, minerals and resource development. The transaction is expected to be completed by the first quarter of 2011.

## 20. **Proposed Bonus and Rights Issues**

On 8 August 2008, the Company (“MSC”) made the following announcements :-

- i. Proposed bonus issue of 75,000,000 new ordinary shares of RM1.00 each in MSC (“bonus shares”) to be credited as fully paid-up on the basis of one (1)

bonus share for every one (1) existing ordinary share of RM1.00 each in MSC (“MSC share”) held by the entitled shareholders on an entitlement date to be determined and announced later; and

- ii. Proposed renounceable rights issue of 225,000,000 new ordinary shares of RM1.00 each in MSC (“rights shares”) on the basis of three (3) rights shares for every two (2) MSC shares held after the proposed bonus issue.

On 11 May 2009, the Company announced in its 1<sup>st</sup> quarterly report its decision to defer the submission of the application to the authorities for the proposed bonus and rights issues.

After further consideration, the Company has now decided not to proceed with the proposed bonus and rights issues in view of its decision to divest some of the Group’s non-tin assets.

## 21. Group Borrowings and Debts Securities

Group borrowings as at 30 June 2009 comprise the following :

	<b>30.06.2009</b>
	<b>RM’000</b>
<b>a) Short Term Borrowings (unsecured)</b>	
Foreign currency trade finance	142,638
Revolving credits	25,084
Bankers’ acceptances	265,623
Export credit refinancing	24,022
	<b>457,367</b>
Current portion of long term borrowings	33,069
	<b>490,436</b>

	<b>30.06.2009</b>
	<b>RM’000</b>
<b>b) Long Term Borrowings (unsecured)</b>	
Term loans	90,838
Revolving credit	63,675

<b>Amount denominated in foreign currency</b>	<b>’000</b>
Foreign currency trade finance (US dollar)	40,321
Revolving credits (US dollar)	27,091
Term loans (US dollar)	30,906

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 1.60% to 4.97% per annum for the Company and 1.60% to 14.35% per annum for the Group (2008: Company and Group : 2.70% to 6.18% per annum).

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 instalments.

## 22. Off Balance Sheet Financial Instrument

As at 6 August 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, the Group had the following outstanding forward foreign currency hedging contracts in respect of the Group's sales and purchases of tin :-

<b>Currency</b>	<b>Contract Amount Million</b>	<b>Equiv. Amount RM'000</b>	
US Dollar	20.7	73,082	Different maturity dates up to December 2009
Indonesian Rupiah	90,780	31,430	Different maturity dates up to November 2010

## 23. Material Litigation

Since the Company's last announcement on 11 May 2009 relating to the 1<sup>st</sup> quarter 2009 Interim Financial Report, there was no new development on the outstanding material litigations at 6 August 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

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

The Group achieved a positive turnaround in its performance with a pre-tax profit of RM10.66 million in the 2<sup>nd</sup> quarter of 2009 compared with a pre-tax loss of RM9.16 million recorded in the preceding quarter.

The turnaround in the 2<sup>nd</sup> quarter 2009 was mainly contributed by better results in the Malaysian operations arising from increased tin volume and higher tin prices. The Indonesian operations also performed better arising from cost rationalization and reduction measures aided further by the higher tin prices.

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

Group pre-tax profit for 2<sup>nd</sup> quarter 2009 of RM10.66 million was 31.8% higher than the pre-tax profit of RM8.088 million for the corresponding quarter of the previous year mainly contributed by reasons stated in Note 24 above.

Group pre-tax profit for the 1<sup>st</sup> half year of RM1.51 million was much lower than the pre-tax profit of RM33.56 million for the corresponding period of the previous year mainly due to losses incurred in the Indonesian operations. However, the Malaysian operations achieved satisfactory performance in the 1<sup>st</sup> half year in spite of the difficult market conditions.

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 2<sup>nd</sup> quarter 2009 to the date of this announcement.

26. **Current Year Prospects**

In the light of the improvement in tin prices and barring any unforeseen circumstances, the Group is expected to perform better in the second half compared to the first half of the current year.

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

Not applicable.

28. **Basic Earnings/ (Loss) Per Share**

	<b>6 months ended 30.06.2009</b>
Net profit attributable to equity holders of the Company (RM)	1,398,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	1.9

29. **Dividend Payable**

The Board of Directors has decided not to declare an interim dividend (2008 : 8 sen less 26% tax per share) for the financial year ending 31 December 2009.

By Order of the Board  
Sharifah Faridah Abd Rasheed  
Secretary

Kuala Lumpur  
12 August 2009