

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

at 31 December 2009

	As at end of current quarter 31.12.2009 RM'000	As at preceding financial year end 31.12.2008 RM'000
Note		
NON-CURRENT ASSETS		
Property, Plant and equipment	88,165	106,921
Prepaid land lease payments	1,312	1,298
Base Inventory	3,000	3,000
Mining rights	1,683	4,621
Mining asset	73,184	-
Investment in associates	213,918	194,500
Other investments	165	47,261
Other assets	77,179	64,728
Goodwill on consolidation	6,152	
Amount due from an associate	2,648	-
Other receivable	11,098	-
Deferred tax asset	12,572	18,073
	491,076	440,402
CURRENT ASSETS		
Inventories	380,550	260,823
Trade receivables	131,688	154,464
Other receivables	71,476	84,946
Tax recoverable	20,044	32,722
Amount due from related companies	1,101	2,916
Amount due from associates	15,229	13,699
Cash, bank balances and deposits	65,285	72,574
	685,373	622,144
CURRENT LIABILITIES		
Trade payables	27,980	17,905
Other payables	63,187	48,157
Provisions for liabilities	7,308	320
Amount due to an associate	534	550
Taxation	19,955	18,836
Borrowings (unsecured) 20	509,521	503,247
	628,485	589,015
NET CURRENT ASSETS		
	56,888	33,129
	547,964	473,531
EQUITY		
Equity attributable to equity holders of the parent		
Share capital	75,000	75,000
Reserves	227,841	221,499
	302,841	296,499
Minority interests	65,533	44,033
Total Equity	368,374	340,532
NON-CURRENT LIABILITIES		
Provisions for liabilities	21,001	28,691
Deferred tax liabilities	20,434	2,033
Borrowing (unsecured) 20	138,155	102,275
	179,590	132,999
	547,964	473,531

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 year ended 31 December 2009

	Note	← 4 th Quarter →		← Year Date →	
		3 months ended		12 months ended	
		31.12.2009	31.12.2008	31.12.2009	31.12.2008
		RM'000	RM'000	RM'000	RM'000
Revenue		455,172	405,099	1,835,575	2,276,367
Profit/ (loss) from operations		28,051	(69,468)	58,849	430
Gross interest income		1,364	2,740	7,286	10,072
Gross interest expense		(4,874)	(8,571)	(23,189)	(24,782)
Share of profit/ (loss) of associates		438	(8,452)	221	(13,878)
Profit/ (loss) before taxation		24,979	(83,751)	43,167	(28,158)
Taxation	16	(28,737)	2,606	(39,495)	(18,629)
Profit/ (loss) for the year		(3,758)	(81,145)	3,672	(46,787)
Attributable to:					
Equity holders of the Company		(2,815)	(76,940)	7,356	(46,337)
Minority interests		(943)	(4,205)	(3,684)	(450)
		(3,758)	(81,145)	3,672	(46,787)
Basic earnings per share (sen)	27	(3.8)	(102.6)	9.8	(61.8)
Proposed/Declared dividend per share (sen)	28	3.0	-	3.0	8.0
Net assets per share attributable to ordinary holders of the Company (RM)				4.04	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
	← Non - Distributable			→ Distributable				
	Share capital RM ' 000	Share premium RM ' 000	Revaluation reserve RM ' 000	Foreign exchange reserve RM ' 000	Retained earnings RM ' 000	Sub-total RM ' 000		
At 1 January 2008	75,000	1,706	11,415	(13,853)	275,859	350,127	45,416	395,543
Revaluation surplus, net of deferred tax	-	-	3,690	-	-	3,690	-	3,690
Foreign exchange differences representing net gain not recognised in the income statement	-	-	-	6,509	-	6,509	2,621	9,130
Net income recognised directly in equity	-	-	3,690	6,509	-	10,199	2,621	12,820
Profit for the year	-	-	-	-	(46,337)	(46,337)	(450)	(46,787)
Total recognised income and expense for the year	-	-	3,690	6,509	(46,337)	(36,138)	2,171	(33,967)
Dividend	-	-	-	-	(17,490)	(17,490)	(3,554)	(21,044)
At 31 December 2008	75,000	1,706	15,105	(7,344)	212,032	296,499	44,033	340,532

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

	Attributable to equity holders of the Company						Minority Interests	Total Equity
	← Non - Distributable			→ Distributable				
	Share capital RM ' 000	Share premium RM ' 000	Revaluation reserve RM ' 000	Foreign exchange reserve RM ' 000	Retained earnings RM ' 000	Sub-total RM ' 000		
At 1 January 2009	75,000	1,706	15,105	(7,344)	212,032	296,499	340,532	
Acquisition of subsidiaries							25,596	
Foreign exchange differences representing net losses not recognised in the income statement				(1,014)		(1,014)	(1,426)	
Net income/ (loss) recognised directly in equity				(1,014)		(1,014)	24,170	
Profit/ (loss) for the year					7,356	7,356	(3,684)	
Total recognised income and expense for the year				(1,014)	7,356	6,342	21,500	
Dividend							-	
At 31 December 2009	75,000	1,706	15,105	(8,358)	219,388	302,841	368,374	

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 year ended 31 December 2009

	2009 RM'000	2008 RM'000
Cash from operations	34,166	110,688
Interest paid	(27,060)	(23,448)
Income tax paid	(21,564)	(39,890)
Severance benefits paid	(635)	(6)
Net cash (used in)/ from operating activities	<u>(15,093)</u>	<u>47,344</u>
Investing Activities		
Acquisition of subsidiaries	1,891	-
Deemed disposal of a subsidiary	(688)	-
Purchase of property, plant and equipment	(3,829)	(21,412)
Payment for prepaid lease payments	(112)	-
Payment for investment in associates	(815)	(155,257)
Purchase of other investments	-	(47,150)
Payment for an insurance scheme	(7,771)	(3,013)
Payment for mining rights	-	(181)
Payment of deferred mine development and exploration expenditure	(31,561)	(50,670)
Proceeds from disposal of property, plant and equipment	308	82
Net dividend received from an associate	21	35
Interest received	7,305	8,740
Net cash used in investing activities	<u>(35,251)</u>	<u>(268,826)</u>
Financing Activities		
Borrowing of short term trade financing	46,872	153,047
Borrowing of term loans	8,683	121,890
Repayment of term loans	(12,500)	(11,767)
Dividend paid		
- shareholders of the Company	-	(17,490)
- minority shareholders of a subsidiary	-	(3,554)
Net cash from/(used) in financing activities	<u>43,055</u>	<u>242,126</u>
Net Change in Cash & Cash Equivalents	(7,289)	20,644
Cash & Cash Equivalents at 1 January	72,574	51,930
Cash & Cash Equivalents at 31 December	<u>65,285</u>	<u>72,574</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 4th INTERIM FINANCIAL REPORT – 31 DECEMBER 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:-

Geographical Location	Total Assets Employed RM'000	Revenue RM'000	Pre-Tax Profit/(Loss) RM'000
Malaysia	970,042	1,902,926	45,933
Indonesia	377,930	370,154	(3,813)
Others	91,671	-	1,047
	1,439,643	2,273,080	43,167
Consolidated adjustments related to intra group transactions	(263,194)	(437,505)	-
	1,176,449	1,835,575	43,167

10. **Property, Plant and Equipment**

The valuation of land and buildings has 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 16 February 2010, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report except for the following :-

- In January 2010, the Company subscribed for an additional 10,750,000 new ordinary shares amounting to approximately RM3.51 million in Asian Mineral Resources Limited (AMR) via a private placement to maintain its shareholding in AMR at 18.2%.

12. Changes in the Composition of the Group

Save as disclosed below, there was no change in the composition of the Group for the 4th quarter 2009 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations:-

- a. The Group's shareholdings in PT Tenaga Anugerah (PT TA), a company incorporated in Indonesia, has been diluted from 60% to 40% following the assets injection into PT TA by PT Sarana Marindo. Current shareholding structure of PT TA is as follow:-

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

- b. In December 2009, the Company received 13,590,030 new ordinary shares amounting to approximately RM44.4 million in KM Resources, Inc. (KMR). KMR became a 30% owned associated company. KMR is incorporated in Labuan under the offshore Companies Act 1990 and is an investment holding company for Rapu Rapu Polymetallic Project in Philippines.

13. Changes in Contingent Liabilities and Contingent Assets

Since the Company's last announcement of the 3rd Quarter 2009 Interim Financial Report on 4th November 2009, there was no new development on the outstanding contingent liabilities or contingent assets as at 16 February 2010, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

14. Capital Commitments

The amount of capital commitments at 31 December 2009 was as follows:

	31.12.2009
	RM'000
Approved but not contracted	1,449
Contracted but not provided for	5,365
	6,814

15 **Related Party Transactions**

The following are significant related party transactions :

	12 months ended 31.12.2009 RM'000
Management fee paid/ payable to related companies	7,193
Sales of products to an associate	36,802

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 31.12.2009 RM'000
Current taxation	
Malaysian income tax	14,393
Foreign tax	4,410
Deferred tax	4,458
Additional provision for prior years	16,234
Total	39,495

The overall effective tax rate for the current period was substantially higher than the statutory tax rate in Malaysia mainly due to additional provision made as a result of a recent decision by a foreign tax authority in disallowing certain expenses to be set off against prior years' taxable profits of an overseas subsidiary 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 2009.

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

There was no purchase or sale of quoted securities in the 4th Quarter 2009 except as mentioned in Note 12.

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 16 February 2010, 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 is currently evaluating other alternatives.
- b. 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 further granted extension of time up to 22 March 2010 for the Company to comply with the public shareholding spread requirement pursuant to paragraph 8.15(1) of Bursa Malaysia Listing Requirements. As at 31 December 2009, a total of 23.13% shares of the Company are held by a total of 1,668 public shareholders.
- c. 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. The transaction is expected to be completed by the first quarter of 2011.
- d. On 3 September 2009, the Company announced that it plans to divest its 22.48% shareholdings in Beaconsfield Gold NL, 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. The divestment process is still on-going.

20. **Group Borrowings and Debts Securities**

Group borrowings as at 31 December 2009 comprise the following :

	31.12.2009
	RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	209,276
Bankers' acceptances	263,807
	473,083
Current portion of long term borrowings	36,438
	509,521

	31.12.2009
	RM'000
b) Long Term Borrowings (unsecured)	
Term loans	81,568
Revolving credit	56,587
	138,155

Amount denominated in foreign currency	'000
Foreign currency trade finance (US dollar)	61,022
Revolving credits (US dollar)	19,000
Term loans (US dollar)	30,160

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 0.75% to 4.97% per annum for the Company and 0.75% to 14.35% per annum for the Group (2008: Company and Group : 2.25% to 6.25% 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.

21. **Off Balance Sheet Financial Instrument**

As at 16 February 2010, 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 off balance sheet 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	30.0	101,940	Different maturity dates up to December 2010
Indonesian Rupiah	11,834	3,772	Different maturity dates up to March 2010

- b. An Interest Rate Swap Contract with a bank from floating rate borrowing to fixed rate in US Dollar:

Notional Amount (USD Million)	Maturity Period	Receive Floating Interest Rate	Pay Fixed Interest Rate
19.0	March 2014	3 months London Inter-bank Offer Rate	2.47%

22. Material Litigation

Since the Company's last announcement on 4 November 2009 relating to the 3rd Quarter 2009 Interim Financial Report, there was no new development on the outstanding material litigations at 16 February 2010, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, except:

- An appeal for a claim from a party against the Company and 3 others, seeking a declaration that the award for the sale of 100% of issued shares of Rahman Hydraulic Tin Sdn. Bhd. to the Company pursuant to an open tender process be declared null and void, has been withdrawn and the case is closed.

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

The Group recorded a pre-tax profit of RM24.98 million in the 4th Quarter of 2009 compared with a pre-tax profit of RM16.68 million recorded in the preceding quarter.

The higher profit in the 4th Quarter 2009 was contributed by satisfactory results from both the Malaysian and Indonesian operations and positive net contributions from the associated companies.

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

The Group achieved a pre-tax profit of RM24.98 million for the 4th Quarter 2009 compared with a pre-tax loss of RM83.75 million for the corresponding quarter of the previous year. The pre-tax loss incurred in the 4th Quarter 2008 was mainly due to provision for impairment on some of the Group's mining assets as well as losses on foreign exchange. At operating level the Group achieved positive results in the 4th Quarter of 2009 compared with an overall operating loss incurred in the corresponding quarter of 2008.

Group pre-tax profit for the year was RM43.17 million compared with a pre-tax loss of RM28.16 million for the previous year mainly due to the reasons stated in the foregoing paragraph. The Indonesian operations achieved satisfactory results in the fourth quarter 2009 after the positive turnaround in the third quarter of 2009. The Malaysian operations continued satisfactory performance in 2009 in spite of the difficult and challenging 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 4th Quarter 2009 to the date of this announcement.

25. Current Year Prospects

In the light of the improvement in metal prices and better performance by its associated companies, and barring any unforeseen circumstances, the Board expects the Group's performance for the current year to improve.

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

Not applicable.

27. Basic Earnings/ (Loss) Per Share

	12 months ended 31.12.2009
Net profit attributable to equity holders of the Company (RM)	7,356,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	9.8

28 **Dividend Payable**

The Directors recommend the payment of a final dividend of 3 sen per ordinary share less 25% tax (2008: NIL) amounting to RM1.688 million which subject to the approval of the members at the forthcoming Annual General Meeting of the Company on 26 April, 2010. If approved, the dividend will be paid on 18 May, 2010, to members registered on the Company's register at the close of business at 5.00 p.m. 12 May, 2010.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
22 February 2010