

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		As at end of current quarter 30.06.2011 RM'000	As at preceding financial year end 31.12.2010 RM'000
Assets	Note		
Non-current assets			
Property, plant and equipment		90,698	94,523
Prepaid land lease payments		1,007	1,174
Base inventory		3,000	3,000
Intangible assets		1,809	1,547
Investment in associates and jointly controlled entity		166,843	148,539
Investment securities		34,338	34,367
Other non-current assets		88,384	84,531
Other receivables		4,138	2,607
Deferred tax assets		19,447	11,083
		409,664	381,371
Current assets			
Inventories		425,581	404,320
Trade and other receivables		350,457	258,768
Other current assets		3,608	7,144
Tax recoverable		10,167	22,162
Derivative financial instruments		5,587	1,162
Cash, bank balances and deposits		237,259	119,244
		1,032,659	812,800
Assets of disposal group classified as held for sale	19b	2,019	25,476
		1,034,678	838,276
Total assets		1,444,342	1,219,647
Equity and liabilities			
Current liabilities			
Provisions		5,607	6,088
Borrowings	20	677,511	618,648
Trade and other payables		149,133	146,175
Current tax payable		47,332	25,870
Derivative financial instruments		-	1
		879,583	796,782
Liabilities directly associated with disposal group classified as held for sale		-	11,309
		879,583	808,091
Net current assets		155,095	30,185
Non-current liabilities			
Provisions		31,251	20,067
Deferred tax liabilities		806	297
Borrowings	20	58,744	82,392
Derivative financial instruments		1,211	1,375
		92,012	104,131
Total liabilities		971,595	912,222
Net assets		472,747	307,425
Equity attributable to equity holders of the Company			
Share capital		100,000	75,000
Other reserves		67,331	(6,883)
Retained earnings		262,267	199,940
Reserve of disposal group classified as held for sale		-	(3,256)
		429,598	264,801
Minority interests		43,149	42,624
Total Equity		472,747	307,425
Total equity and liabilities		1,444,342	1,219,647

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited annual financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2011

Note	← 2 nd Quarter →		← Year to Date →		
	3 months ended		6 months ended		
	30.06.2011	30.06.2010	30.06.2011	30.06.2010	
	RM'000	RM'000	RM'000	RM'000	
Revenue	852,627	623,129	1,590,500	1,274,310	
Profit from operations	38,289	16,656	85,726	42,825	
Gross interest income	3,500	1,534	5,092	3,064	
Gross interest expense	(6,305)	(3,900)	(12,055)	(8,058)	
Share of profit of associates and jointly controlled entity	17,864	2,100	20,408	6,311	
Profit before unusual items	53,348	16,390	99,171	44,142	
Unusual items	5	-	-	(48,000)	
Profit/(loss) before tax	53,348	16,390	99,171	(3,858)	
Income tax expense	16	(15,904)	(29,125)	(19,045)	
Profit/(loss) net of tax	37,444	5,555	70,046	(22,903)	
Attributable to:					
Equity holders of the Company	36,301	7,983	64,577	(21,148)	
Minority interests	1,143	(2,428)	5,469	(1,755)	
	37,444	5,555	70,046	(22,903)	
Basic earnings/(loss) per share (sen)	26	36.3	10.6	66.9	(28.2)
Proposed/Declared dividend per share (sen)	28	-	-	-	-
Net assets per share attributable to equity holders of the Company (RM)			As at end of current quarter	As at preceding financial year end	
			4.30	3.53	

The unaudited condensed consolidated income statement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2010 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 STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2011

Note	2 nd Quarter		Year to Date	
	3 months ended		6 months ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Profit/ (loss) net of tax	37,444	5,555	70,046	(22,903)
Other comprehensive income:				
Foreign currency translation	355	(7,237)	(4,465)	(11,127)
Net fair value changes in available-for-sale investment securities	(11)	(61)	-	(103)
Net fair value changes on cash flow hedges	3,379	8,587	2,859	6,073
Other comprehensive income for the period, net of tax	3,723	1,289	(1,606)	(5,157)
Total comprehensive income for the period	41,167	6,844	68,440	(28,060)
Total comprehensive income attributable to:				
Equity holders of the Company	40,011	10,691	63,857	(22,706)
Minority interests	1,156	(3,847)	4,583	(5,354)
	41,167	6,844	68,440	(28,060)

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited annual financial statements for the year ended 31 December 2010 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 STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2010

	Attributable to equity holders of the Company										
	←					→					Distributable
	Non - Distributable										
	Total equity RM'000	Equity attributable to equity holders of the Company total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Available for-sale ("AFS") reserve RM'000	Hedging reserve RM'000	Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Minority interests RM'000
At 1 January 2010 (as previously stated)	372,371	302,843	75,000	1,706	15,105	(8,354)	-	-	-	219,386	69,528
Prior year adjustment	65,004	65,004	-	-	-	-	-	-	-	65,004	-
At 1 January 2010 (as restated)	437,375	367,847	75,000	1,706	15,105	(8,354)	-	-	-	284,390	69,528
Effects of adopting FRS 139	(10,815)	(9,606)	-	-	-	-	-	(6,738)	-	(2,868)	(1,209)
Total comprehensive income	426,560	358,241	75,000	1,706	15,105	(8,354)	-	(6,738)	-	281,522	68,319
Dividend	(28,060)	(22,706)	-	-	-	(7,063)	(103)	5,608	-	(21,148)	(5,354)
	(1,687)	(1,687)	-	-	-	-	-	-	-	(1,687)	-
At 30 June 2010	396,813	333,848	75,000	1,706	15,105	(15,417)	(103)	(1,130)	-	258,687	62,965

Note a

It relates to the effects of the retrospective adjustment of the gain on bargain purchase arising from the finalisation of the fair values of the assets and liabilities arising from the acquisition of KM Resources, Inc. which was acquired during the financial year ended 31 December 2009. In accordance with FRS 103, Business Combinations, the adjustments arising from the finalisation of such provisional purchase price allocation, which are to be made within twelve months from the date of acquisition are to be made retrospectively.

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

For the period ended 30 June 2011

	Attributable to equity holders of the Company										
	Total equity RM'000	Equity attributable to equity holders of the Company total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Non - Distributable			Distributable		
Foreign currency translation reserve RM'000						AFS reserve RM'000	Hedging Reserve RM'000	Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Minority interests RM'000	
At 1 January 2011	307,425	264,801	75,000	1,706	18,766	(28,067)	-	712	(3,256)	199,940	42,624
Total comprehensive income	68,440	63,857	-	-	-	(3,572)	-	2,859	(7)	64,577	4,583
Issue of ordinary shares	104,187	104,187	25,000	79,187	-	-	-	-	-	-	-
Share issuance expense	(4,260)	(4,260)	-	(4,260)	-	-	-	-	-	-	-
Disposal of subsidiaries	(795)	3,263	-	-	-	-	-	-	3,263	-	(4,058)
Dividend	(2,250)	(2,250)	-	-	-	-	-	-	-	(2,250)	-
At 30 June 2011	472,747	429,598	100,000	76,633	18,766	(31,639)	-	3,571	-	262,267	43,149

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 2010 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2011

	Note	2011 RM'000	2010 RM'000
Cash generated/(used in) from operations		17,329	(15,429)
Income tax paid		(4,286)	(1,801)
Interest paid		(12,048)	(8,424)
Severance benefits paid		(9,097)	(8,432)
Net cash used in operating activities		<u>(8,102)</u>	<u>(34,086)</u>
Investing activities			
Interest received		3,370	3,079
Payment for deferred mine development and deferred exploration and evaluation expenditure		(16,529)	(14,440)
Proceeds from disposal of property, plant and equipment		110	-
Proceeds from disposal of subsidiaries	12	8,283	-
Purchase of corporate club membership		(350)	-
Purchase of property, plant and equipment		(5,013)	(8,984)
Purchase of shares in associate		-	(3,529)
Net cash used in investing activities		<u>(10,129)</u>	<u>(23,874)</u>
Financing activities			
Dividends paid on ordinary shares		(2,250)	(1,687)
Drawdown of short term trade financing and other borrowings		51,715	73,781
Proceeds from issuance of ordinary shares, net		99,927	-
Repayment of term loans		(13,670)	(12,217)
Net cash generated from financing activities		<u>135,722</u>	<u>59,877</u>
Net increase in cash and cash equivalents		117,491	1,917
Cash and cash equivalents as at 1 January		119,768	65,285
Cash and cash equivalents as at 30 June		<u>237,259</u>	<u>67,202</u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited annual financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE 2nd INTERIM FINANCIAL REPORT – 30 JUNE 2011

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 2010. 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 2010.

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 2010 except for the adoption of the following new FRSs and Interpretations, and amendments to certain FRSs and Interpretations:

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132: Classification of Right Issues

Effective for financial periods beginning on or after 1 July 2010

FRS 1 First-time Adoption of Financial Reporting Standards

FRS 3 Business Combinations (Revised)

Amendments to FRS 2 Share-based Payment

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 127 Consolidated and Separate Financial Statements

Amendments to FRS 138 Intangible Assets

Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 30 August 2010

Amendment to IC Interpretation 15

Effective for financial periods beginning on or after 31 December 2010

Technical Release 3 Guidance on Disclosures of Transition to IFRSs

Effective for financial periods beginning on or after 1 January 2011

Additional Exemption for First-time Adopters (Amendments to FRS 1)

Amendments to FRS 1 [Improvements to FRSs (2010)]

Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)

Amendments to FRS 3 [Improvements to FRSs (2010)]
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 7 [Improvements to FRSs (2010)]
Amendments to FRS 101 [Improvements to FRSs (2010)]
Amendments to FRS 121 [Improvements to FRSs (2010)]
Amendments to FRS 128 [Improvements to FRSs (2010)]
Amendments to FRS 131 [Improvements to FRSs (2010)]
Amendments to FRS 132 [Improvements to FRSs (2010)]
Amendments to FRS 134 [Improvements to FRSs (2010)]
Amendments to FRS 139 [Improvements to FRSs (2010)]
Amendments to IC Interpretation 13 [Improvements to FRSs (2010)]
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures
for First-time Adopters
IC Interpretation 4 Determining whether an Arrangement contains a Lease
IC Interpretation 18 Transfers of Assets from Customers

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the amendments to FRS 127 are described below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

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

The auditors' report on the financial statements for the year ended 31 December 2010 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.

The unusual items for previous financial period were in respect of impairment provisions for investment in BCD Resources NL and Guilin Hinwei Tin Co Ltd. amounting to RM41 million and RM7 million respectively.

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-to-date other than issuance of 25 million new MSC shares as described below:

- On 26 January 2011, a total of 25,000,000 new ordinary shares of the Company (MSC) were allotted and issued. This resulted in the increase of the enlarged issued and paid-up share capital of MSC to RM100,000,000 comprising 100,000,000 MSC shares of RM1.00 each in conjunction with the secondary listing of the Company's shares in Singapore Exchange Securities Trading Limited (SGX-ST). On 27 January 2011, the secondary listing was completed following the listing of and quotation for the entire enlarged issued and paid-up share capital of MSC of RM100,000,000 comprising 100,000,000 MSC shares of RM1.00 each on the Main Board of SGX-ST.

8. Dividend Paid

The amount of dividend paid or declared during the current financial year-to-date were as follows:

	Net Amount Jan/ June 2011 RM'000	Net Dividend Per Share Jan/June 2011 Sen
2010 Final		
3 sen less 25% tax per share paid on 12.05.2011	2,250	2.25

9. Segmental Reporting

The Company and its principal subsidiaries operate principally within the tin industry in two business segments, namely tin smelting and tin mining.

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

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations) / Adjustments RM'000	Total RM'000
Revenue					
Sales to external customers	1,584,562	5,938	-	-	1,590,500
Inter-segment sales	-	385,689	898	(386,587)	-
Total revenue	1,584,562	391,627	898	(386,587)	1,590,500
Results					
Profit/(Loss) from operations	33,621	64,316	(2,205)	(4,851)	90,881
Finance costs	(7,058)	(3,055)	(2,005)	-	(12,118)
Share of profit/(loss) of associates and jointly controlled entity	(414)	-	20,822	-	20,408
Profit/(Loss) before tax	26,149	61,261	16,612	(4,851)	99,171
Income tax expense	(7,402)	(22,777)	(159)	1,213	(29,125)
Profit/(Loss), net of tax	18,747	38,484	16,453	(3,638)	70,046

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations) / Adjustments RM'000	Total RM'000
Assets					
Segment assets	751,888	506,328	26,334	(7,049)	1,277,501
Investment in associates and jointly controlled entity	4,027	-	162,814	-	166,841
Total assets	755,915	506,328	189,148	(7,049)	1,444,342
Liabilities					
Segment liabilities	723,128	247,966	950	(449)	971,595

In second quarter, segmental reporting has been revised from geographical segments to business segments. The change is for better monitoring of the performance by business segments.

10. **Property, Plant and Equipment**

The same valuation of land and buildings has been brought forward from the previous audited annual financial statements for the year ended 31 December 2010.

11. **Subsequent Events**

There was no material event subsequent to end of the current quarter up to 3 August 2011, 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 during the current financial year-to-date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations, except for the following:

- 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%.

- On 22 June 2011, the Company disposed of its entire 76.91% interest in Australia Oriental Minerals NL (AOM), a company listed on Australian Securities Exchange, comprising a total of 1,677,545,461 ordinary shares at A\$0.0016 per share. With this disposal, AOM ceased to be a subsidiary of the Company and Asiatic Coal Pte Ltd, an indirect subsidiary, also ceased to be a subsidiary following the dilution of its effective interest from 53.07% to 30.0%.

13. Changes in Contingent Liabilities and Contingent Assets

Since the last annual reporting date, there was no new development on the outstanding contingent liabilities or contingent assets as at 3 August 2011, 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 30 June 2011 was as follows:

	30.06.2011 RM'000
Approved but not contracted for	5,075
Contracted but not provided for	11,606
	16,681

15. Related Party Transactions

The following are significant related party transactions :

	6 months ended 30.06.2011 RM'000
Sales of products to an associate	30,381

The above transactions were entered in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

16. **Taxation**

· Taxation comprises the following :

	6 months ended 30.06.2011 RM'000
Current taxation	
Malaysian income tax	17,231
Foreign tax	20,887
Deferred tax	(8,993)
Total	29,125

The overall effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to higher tax rate in an overseas subsidiary and 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.

Certain subsidiaries of the Group are subjected to ongoing income tax audits and examination by the income tax authorities. The income tax expense for the current period does not include any potential tax adjustments which may arise upon the outcome of such tax audits and examination.

17. **Sale of Unquoted Investment and/or Property**

There was no sale of unquoted investment and/or property for the 2nd quarter 2011.

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

There was no purchase or sale of quoted securities in the 2nd quarter 2011 except as disclosed in Note 12.

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 3 August 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 had made an impairment provision of RM8.8 million in year 2010.

- b. On 17 March 2011, the Company announced that it had entered into a Share Sale Agreement for the disposal of its 30% shareholding in Asiatic Coal Pte Limited ("ACPL") with Taurus Capital Limited ("Purchaser") which holds 40% shareholding in ACPL, for a net consideration of USD1,053,334.15. ACPL, through its Indonesian subsidiary, has exclusive rights over a coal mining concession at Muara Teweh in Central Kalimantan, Indonesia. The disposal of ACPL is expected to complete during the 3rd quarter 2011.

The Company's 30% interest in Asiatic Coal Pte Ltd is reclassified as a disposal group held for sale.

- c. On 27 January 2011, the secondary listing of the Company was completed following the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each on the Main Board of SGX-ST.

The status of utilisation of proceeds from the public issue of 25,000,000 new ordinary shares of the Company at 30 June 2011 was:

Purpose	Proposed utilisation RM mil	Actual utilisation RM mil	Expected timeframe for utilisation
Expansion of mining and smelting operations	19.69	8.62	One (1) year (by Feb 2012)
Development of new mines through selective acquisitions of suitable mining concessions or leases, mining projects and assets in Malaysia, Indonesia and other countries	62.3	-	Three (3) years (by Feb 2014)
General working capital	13.34	13.34	One (1) year (by Feb 2012)
Estimated expenses in relation to the public issue and secondary listing	8.86	8.64	One (1) year (by Feb 2012)
Total	104.19	30.60	

In the prospectus dated 21 January 2011 issued in conjunction with the secondary listing of the Company on the Singapore Exchange Securities Trading Limited, it was stated that the MSC Group intends to pursue its growth strategy in its tin business through the selective acquisition of suitable mining concessions or leases, as well as mining projects in Malaysia, Indonesia and other countries. The Group will continue to monitor investment opportunities in other countries and it may in future decide to invest in selective projects in such countries that meet its investment criteria.

Development activities in this direction are currently on-going.

Investments in mining projects require long term commitments due to high capital outlay and long lead time before earnings and positive cash flows could be generated. Equity funding is normally the preferred avenue for raising long term funds for such capital investments. From time to time, the Group will consider various funding options to further strengthen its capital base to fund any significant cash requirements for the Group's long term growth and expansion in its tin business.

20 **Group Borrowings and Debts Securities**

Group borrowings as at 30 June 2011 comprise the following :

	30.06.2011
	RM'000
a) Short Term Borrowings (unsecured)	
Revolving credit	27,239
Foreign currency trade finance	70,693
Bankers' acceptances	534,195
	632,127
Current portion of long term borrowings	45,384
	677,511

	30.06.2011
	RM'000
b) Long Term Borrowings (unsecured)	
Term loans	28,478
Revolving credit	30,266
	58,744

Amount denominated in foreign currency	'000
Foreign currency trade finance (US dollar)	23,358
Revolving credits (US dollar)	24,000
Term loans (US dollar)	18,910

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 0.95% to 4.08% (2010: 1.06% to 3.99%) per annum for the Company and 0.95% to 4.08% (2010: 1.06% to 4.00%) per annum for the Group.

The long term borrowings bear interest at rates of between 0.85% to 1.00% above banks' cost of funds and are repayable by quarterly and semi-annual installments.

21. **Derivative Financial Instruments**

As at 30 June 2011, 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 contract - 1 to 3 years	53,153	51,942	(908)
ii) Foreign Currency Forward Contracts - Less than 1 year	182,068	181,036	774
iii) Tin Forward Sales Contracts - Less than 1 year	26,925	22,372	3,415

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

During the current financial year-to-date, the Group has recognised a fair value gain net of tax of RM0.583 million in its income statement.

22. Material Litigation

Since 31 December 2010, there was no new development on the outstanding material litigations at 3 August 2011, 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

The Group recorded a pre-tax profit of RM53.35 million before unusual items in 2nd quarter 2011 compared with RM45.82 million recorded in the preceding quarter. This was mainly due to better results from its Butterworth smelting operations as well as a higher net contribution from its investment in KM Resources Inc.

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

Group revenue increased by 36.8% to RM852.63 million for the 2nd quarter of 2011 from RM623.13 million for the corresponding quarter of the previous year. For the current financial year-to-date, Group revenue increased by 24.8% to RM1,590.50 million from RM1,274.31 million for the corresponding period of the previous year. The increase in revenue was mainly due to higher average tin prices.

The Group recorded a 225.5% increase in its pre-tax profit to RM53.35 million before unusual items for the 2nd quarter of 2011, from RM16.39 million achieved in the corresponding quarter of the previous year. This was contributed by higher profits by its tin mining and smelting operations in Malaysia and Indonesia mainly due to improved operating performance as well as higher tin prices. The Group's investment in its 30% jointly controlled entity in the Philippines, KM Resources Inc also returned a better result. For the first half of the current financial period, Group per-tax profit before unusual items was RM99.17 million, a 124.7% increase from RM44.14 million for the corresponding period of the previous year, due to the same reasons stated above.

25. Current Year Prospects

Despite the heightened global uncertainty in the financial and commodities markets following the sovereign-debt crisis of developed countries, the Board expects the overall performance of the Group to remain profitable in the second half of the year 2011.

26. Basic Earnings/ (Loss) Per Share

	6 months ended 30.06.2011
Profit attributable to equity holders of the Company (RM'000)	64,577
Weighted average number of ordinary shares in issue ('000)	96,547
Basic earnings per share (sen)	66.9

27. Realised and Unrealised Profits/Losses

	Current Quarter Ended 30.06.2011 RM'0000	Preceding Quarter Ended 31.03.2011 RM'0000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	257,256	126,915
- Unrealised	17,631	10,335
	<u>274,887</u>	<u>137,250</u>
Total share of retained profits/(accumulated losses) from associated companies:		
- Realised	(7,067)	(7,028)
- Unrealised	246	134
Total share of retained profits/(accumulated losses) from jointly controlled entity:		
- Realised	32,780	14,990
- Unrealised	(128)	(128)
	<u>300,718</u>	<u>145,218</u>
Add: Consolidation adjustments	(38,451)	82,999
Retained profits as per financial statements	<u>262,267</u>	<u>228,217</u>

28. Dividend Payable

The Directors have declared an interim dividend of 12 sen less 25% tax per share (2010: Nil) amounting to a total of RM9.0 million (2010: Nil) for financial year ending 31 December 2011.

Notice is hereby given that the above interim dividend will be paid on 28 September 2011 to depositors registered in the record of depositors at the close of business on 8 September 2011.

A depositor shall qualify for the entitlement only in respect of:-

- a) shares transferred into the depositor's securities account before 5.00 p.m. on 8 September 2011 in respect of transfer; and

- b) shares bought on the Bursa Malaysia Securities Berhad and Singapore Exchange Securities Limited (SGX-ST) on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad and SGX-ST.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
10 August 2011