

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	As at 31.03.2012 Unaudited RM'000	As at 31.12.2011 Unaudited RM'000 (restated)	As at 01.01.2011 Unaudited RM'000 (restated)
Assets			
Non-current assets			
Property, plant and equipment	91,070	92,378	94,523
Prepaid land lease payments	1,215	1,254	1,174
Base inventory	3,000	3,000	3,000
Intangible assets	1,677	1,721	1,547
Investment in associates and jointly controlled entity	164,578	174,181	148,539
Investment securities	23,510	17,736	34,367
Other non-current assets	93,206	99,172	84,531
Other receivables	4,419	4,523	2,607
Deferred tax assets	18,281	17,950	11,083
	<u>400,956</u>	<u>411,915</u>	<u>381,371</u>
Current assets			
Inventories	340,171	303,122	404,320
Trade and other receivables	223,864	309,030	258,768
Other current assets	3,619	4,570	7,144
Tax recoverable	8,056	7,525	22,162
Derivative financial instruments	-	-	1,162
Cash, bank balances and deposits	201,244	235,697	119,244
	<u>776,954</u>	<u>859,944</u>	<u>812,800</u>
Assets of disposal group classified as held for sale	-	-	25,476
	<u>776,954</u>	<u>859,944</u>	<u>838,276</u>
Total assets	<u>1,177,910</u>	<u>1,271,859</u>	<u>1,219,647</u>
Equity and liabilities			
Current liabilities			
Provisions	14,537	15,119	6,088
Borrowings	468,795	525,383	618,648
Trade and other payables	168,731	178,976	146,175
Current tax payable	17,720	20,600	25,870
Derivative financial instruments	636	419	1
	<u>670,419</u>	<u>740,497</u>	<u>796,782</u>
Liabilities directly associated with disposal group classified as held for sale	-	-	11,309
	<u>670,419</u>	<u>740,497</u>	<u>808,091</u>
Net current assets	<u>106,535</u>	<u>119,447</u>	<u>30,185</u>
Non-current liabilities			
Provisions	38,897	39,742	30,324
Deferred tax liabilities	648	645	297
Borrowings	22,247	38,070	82,392
Derivative financial instruments	748	865	1,375
	<u>62,540</u>	<u>79,322</u>	<u>114,388</u>
Total liabilities	<u>732,959</u>	<u>819,819</u>	<u>922,479</u>
Net assets	<u>444,951</u>	<u>452,040</u>	<u>297,168</u>
Equity attributable to owners of the Company			
Share capital	100,000	100,000	75,000
Share premium	76,372	76,372	1,706
Other reserves	24,563	29,140	19,478
Retained earnings	219,214	213,541	164,180
Reserve of disposal group classified as held for sale	-	-	(3,256)
	<u>420,149</u>	<u>419,053</u>	<u>257,108</u>
Non-controlling interests	24,802	32,987	40,060
Total Equity	<u>444,951</u>	<u>452,040</u>	<u>297,168</u>
Total equity and liabilities	<u>1,177,910</u>	<u>1,271,859</u>	<u>1,219,647</u>

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2012

Note	← 1 st Quarter →		← Year to Date →		
	3 months ended		3 months ended		
	31.03.2012 RM'000	31.03.2011 RM'000	31.03.2012 RM'000	31.03.2011 RM'000	
Revenue	771,904	737,873	771,904	737,873	
Profit from operations	8,959	47,437	8,959	47,437	
Gross interest income	4,061	1,592	4,061	1,592	
Gross interest expense	(4,594)	(5,750)	(4,594)	(5,750)	
Share of results of associates and jointly controlled entity	274	2,544	274	2,544	
Profit before tax	5	8,700	45,823	8,700	45,823
Income tax expense	17	(10,060)	(13,221)	(10,060)	(13,221)
(Loss)/Profit net of tax		(1,360)	32,602	(1,360)	32,602
Attributable to:					
Owners of the Company		5,673	28,276	5,673	28,276
Non-controlling interests		(7,033)	4,326	(7,033)	4,326
		(1,360)	32,602	(1,360)	32,602
Basic earnings per share (sen)	25	5.7	30.4	5.7	30.4
Proposed/Declared dividend per share (sen)	27	-	-	-	-
Net assets per share attributable to owners of the Company (RM)			As at end of current quarter	As at preceding financial year end (restated)	
			4.20	4.19	

These condensed consolidated income statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2012

Note	1 st Quarter 3 months ended		Year to Date 3 months ended	
	31.03.2012 RM'000	31.03.2011 RM'000	31.03.2012 RM'000	31.03.2011 RM'000
(Loss)/Profit net of tax	(1,360)	32,602	(1,360)	32,602
Other comprehensive income:				
Foreign currency translation	(6,701)	(4,820)	(6,701)	(4,820)
Net fair value changes in available-for-sale investment securities	1,019	11	1,019	11
Net fair value changes on cash flow hedges	(47)	(520)	(47)	(520)
Other comprehensive income for the period, net of tax	<u>(5,729)</u>	<u>(5,329)</u>	<u>(5,729)</u>	<u>(5,329)</u>
Total comprehensive income for the period	<u>(7,089)</u>	<u>27,273</u>	<u>(7,089)</u>	<u>27,273</u>
Total comprehensive income attributable to:				
Owners of the Company	1,096	23,846	1,096	23,846
Non-controlling interests	(8,185)	3,427	(8,185)	3,427
	<u>(7,089)</u>	<u>27,273</u>	<u>(7,089)</u>	<u>27,273</u>

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2012

	Note	Equity attributable to owners of the Company		Attributable to owners of the Company					Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Non-controlling interests RM ' 000	
		Total equity RM'000	Equity attributable to owners of the Company total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	AFS reserve RM'000				Hedging Reserve RM'000
At 1 January 2012 (as previously stated)		462,297	426,746	100,000	76,372	18,678	(17,516)	-	(89)	-	249,301	35,551
Adjustment for MFRS 1	2	(10,257)	(7,693)	-	-	-	28,067	-	-	-	(35,760)	(2,564)
At 1 January 2012 (as restated)		452,040	419,053	100,000	76,372	18,678	10,551	-	(89)	-	213,541	32,987
Total comprehensive income		(7,089)	1,096	-	-	-	(5,549)	1,019	(47)	-	5,673	(8,185)
At 31 March 2012		444,951	420,149	100,000	76,372	18,678	5,002	1,019	(136)	-	219,214	24,802

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

For the period ended 31 March 2011

	Attributable to owners of the Company										
	Non - Distributable					Distributable					
Note	Total equity RM'000	Equity attributable to owners 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	Non-controlling interests RM'000
At 1 January 2011 (as previously stated)	307,425	264,801	75,000	1,706	18,766	(28,067)	-	712	(3,256)	199,940	42,624
Adjustment for MFRS 1	(10,257)	(7,693)	-	-	-	28,067	-	-	-	(35,760)	(2,564)
At 1 January 2011 (as restated)	297,168	257,108	75,000	1,706	18,766	-	-	712	(3,256)	164,180	40,060
Total comprehensive income	27,273	23,846	-	-	-	(3,921)	11	(520)	-	28,276	3,427
Issue of ordinary shares	104,187	104,187	25,000	79,187	-	-	-	-	-	-	-
Share issuance expense	(4,260)	(4,260)	-	(4,260)	-	-	-	-	-	-	-
Reserve attributable to disposal group classified as held for sale	-	-	-	-	-	126	-	-	(126)	-	-
At 31 March 2011	424,368	380,881	100,000	76,633	18,766	(3,795)	11	192	(3,382)	192,456	43,487

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2012

	Note	2012 RM'000	2011 RM'000
Operating activities			
Operating cash flows before changes in working capital		12,276	65,031
Increase in inventories		(34,103)	(19,041)
(Decrease)/Increase in receivables		89,018	(76,852)
Increase in amount due from associates and jointly controlled entity		(1,294)	(4,753)
(Decrease)/Increase in payables		(16,030)	24,104
Decrease in amount due to holding company		(6)	-
Increase in amount due to an associate and jointly controlled entity		7,528	-
Cash generated from/(used in) operations		<u>57,389</u>	<u>(11,511)</u>
Income tax paid		(13,932)	(7,114)
Interest paid		(3,966)	(5,674)
Severance benefits paid		(87)	(3,979)
Net cash generated from operating activities		<u>39,404</u>	<u>(28,278)</u>
Investing activities			
Interest received		4,014	1,373
Payment for deferred mine development and deferred exploration and evaluation expenditure		(2,280)	(14,925)
Proceeds from disposal of property, plant and equipment		174	110
Purchase of corporate club membership		-	(350)
Purchase of property, plant and equipment		(3,767)	(5,807)
Net cash used in investing activities		<u>(1,859)</u>	<u>(19,599)</u>
Financing activities			
Drawdown/(repayment) of short term trade financing and other borrowings		(61,644)	36,885
Proceeds from issuance of ordinary shares, net		-	99,927
Repayment of term loans		(7,340)	(7,563)
Net cash (used in)/generated from financing activities		<u>(68,984)</u>	<u>129,249</u>
Net (decrease)/increase in cash and cash equivalents		(31,439)	81,372
Effect of changes in foreign exchange rates		(4,354)	(2,951)
Cash and cash equivalents as at 1 January		235,697	119,769
Cash and cash equivalents as at 31 March		<u>199,904</u>	<u>198,190</u>

Cash and cash equivalents comprise the following at 31 March 2012:

	2012 RM'000
Cash and short term deposits	138,944
Amounts reserved for the development of new mines	62,300
Bank overdrafts	(1,340)
Cash and cash equivalents	<u>199,904</u>

Included in cash and cash equivalents of the Group, is an amount of RM62,300,000 (2011: RM62,300,000) reserved for the development of new mines through the selective acquisitions of suitable mining concessions or leases, as well as mining projects and assets primarily in Malaysia, Indonesia and other countries.

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE 1st INTERIM FINANCIAL REPORT – 31 MARCH 2012

1. Basis of Preparation

This condensed consolidated interim financial statements (Condensed Report) has been prepared in accordance with *MFRS 134: Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board (IASB). For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs).

This Condensed Report is the Group's first MFRS compliant Condensed Report and hence *MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards* (MFRS 1) has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. The impact of the transition from FRS to MFRS is described in Note 2 below.

2. Significant Accounting Policies

Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. MFRS 1 provides the optional exemption that cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences of RM28,067,000 (31 March 2011: RM28,067,000; 31 December 2011: RM28,067,000) were adjusted to retained earnings.

(b) Employee benefits

Under FRS, actuarial gains and losses outside a pre-determined range (referred to as the corridor) are recognised in profit or loss in future periods over the expected average remaining working lives of the employees participating in the plan. Actuarial gains and losses within the corridor need not be recognized although the entity may choose to recognise it.

MFRS 1 provides the optional exemption to recognise all cumulative actuarial gains and losses at the date of transition.

Accordingly, at the date of transition to MFRS, the cumulative actuarial losses of RM10,257,000 (31 March 2011: RM10,257,000; 31 December 2011: RM10,257,000) were adjusted to retained earnings and non-controlling interests.

The reconciliations of equity for comparative periods and at the date of transition reported under FRS to those reported periods and at the date of transition under MFRS are provided below:

Reconciliation of equity as at 1 January 2011 (date of transition to MFRS)

	FRS as at 01.01.2011 RM'000	Note 2(a) Foreign currency translation reserve RM'000	Note 2(b) Employee benefits RM'000	MFRS as at 01.01.2011 RM'000
Non-current liabilities				
Provisions	20,067	-	10,257	30,324
Equity				
Other reserves	(8,589)	28,067	-	19,478
Retained earnings	199,940	(28,067)	(7,693)	164,180
Non-controlling interests	42,624	-	(2,564)	40,060

Reconciliation of equity as at 31 March 2011

	FRS as at 31.03.2011 RM'000	Note 2(a) Foreign currency translation reserve RM'000	Note 2(b) Employee benefits RM'000	MFRS as at 31.03.2011 RM'000
Non-current liabilities				
Provisions	19,746	-	10,257	30,003
Equity				
Other reserves	(12,894)	28,067	-	15,173
Retained earnings	228,217	(28,067)	(7,693)	192,457
Non-controlling interests	46,051	-	(2,564)	43,487

Reconciliation of equity as at 31 December 2011

	FRS as at 31.12.2011 RM'000	Note 2(a) Foreign currency translation reserve RM'000	Note 2(b) Employee benefits RM'000	MFRS as at 31.12.2011 RM'000
Non-current liabilities				
Provisions	29,485	-	10,257	39,742
Equity				
Other reserves	1,073	28,067	-	29,140
Retained earnings	249,301	(28,067)	(7,693)	213,541
Non-controlling interests	35,551	-	(2,564)	32,987

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

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

4. **Seasonal or Cyclical Factors**

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

5. **Profit Before Tax**

The following items have been included in arriving at the profit/(loss) before unusual items:

	1st Qtr ended 31.03.2012 RM'000	Year to date ended 31.03.2012 RM'000
After charging and (crediting):		
Depreciation and amortization	6,443	6,443
Impairment and write off of receivables	14	14
Inventories written down	55	55
Impairment of investment securities	6	6
Loss arising from cessation of significant influence in a former associate	975	975
Net foreign exchange gain	(3,941)	(3,941)
Fair value loss in derivatives	39	39
Other income including investment income	(2,347)	(2,347)

6. **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.

7. **Changes in Estimates**

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

8. **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.

9. **Dividend Paid**

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

10. **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:

	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations) / Adjustments RM'000	Total RM'000
Revenue					
Sales to external customers	771,903	-	1	-	771,904
Inter-segment sales	-	103,202	451	(103,653)	-
Total revenue	771,903	103,202	452	(103,653)	771,904
Results					
Profit/(Loss) from operations	33,228	(19,449)	(728)	3	13,054
Finance costs	(3,210)	(508)	(910)	-	(4,628)
Share of profit/(loss) of associates and jointly controlled entity	(173)	-	447	-	274
Profit before tax	29,845	(19,957)	(1,191)	3	8,700
Income tax expense	(7,381)	(2,627)	(51)	(1)	(10,060)
Loss, net of tax	22,464	(22,584)	(1,242)	2	(1,360)
Assets					
Segment assets	554,550	459,067	820	(1,105)	1,013,332
Investment in associates and jointly controlled entity	1,867	-	162,711	-	164,578
Total assets	556,417	459,067	163,531	(1,105)	1,177,910
Liabilities					
Segment liabilities	484,807	247,592	1,009	(449)	732,959

11. **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 2011.

12. **Subsequent Events**

There was no material event subsequent to end of the current quarter up to 5 May 2012, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report.

13. **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 that Asian Mineral Resources Limited (“AMR”) which the Company currently holds 15.4% equity interest, ceased to be an associated company and becomes a simple investment, following the loss of significant influence after the resignation of the Company’s representatives from the Board of AMR in March 2012.

14. **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 5 May 2012, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

15. **Capital Commitments**

The amount of capital commitments at 31 March 2012 was as follows:

	31.03.2012
	RM'000
Approved but not contracted for	2,038
Contracted but not provided for	13,781
	15,819

16. **Related Party Transactions**

The following are significant related party transactions :

	3 months ended 31.03.2012 RM'000
Sales of products to an associate	10,744

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.

17. **Income Tax Expense**

Income tax expense comprises the following:

	3 months ended 31.03.2012 RM'000
Current taxation	
Malaysian income tax	10,822
Deferred tax	(762)
Total	10,060

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 and losses incurred by certain subsidiaries which cannot be set off against taxable profits made by other companies within the Group.

18. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 5 May 2012, 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 totaling RM10.8 million as at 31 March 2012.

- b. 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 Singapore Exchange Securities Trading Limited (SGX-ST).

The status of utilisation of proceeds from the public issue of 25,000,000 new ordinary shares of the Company as at 31 March 2012 was:

Purpose	Proposed utilisation RM mil	Actual utilisation RM mil	Expected Timeframe for utilisation
Expansion of mining and smelting operations	19.69	19.69	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	62.30	-	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	8.69	One (1) year (by Feb 2012)
Total	104.19	41.72	

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 in such volatile market conditions. 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.

- c. On 9 March 2012, the Company announced that it has entered into a strategic alliance agreement (“SAA”) with Optima Synergy Resources Limited (“OSRL”) that would allow the latter to immediately subscribe up to 479,833,766 shares of USD0.01 each equivalent to 23% equity interest in Bemban Corporation Limited (“BCL”), the penultimate holding company of PT Koba Tin (“PT Koba”).

Among others, the objectives and purposes of the SAA are as follows:

- (i) Facilitating greater local Indonesian participation in PT Koba by way of increased equity ownership and management through an Indonesian affiliate company of OSRL;
- (ii) Securing the PT Koba Contract of Work (“CoW”) extension or new mining permits over the existing CoW area for 10 years up to 31 March 2023 through joint effort of OSRL and MSC;
- (iii) Enabling BCL and operating companies to expand their businesses through performance improvement and value enhancement as well as through acquisition of additional mining permits for long term sustainable operations in Indonesia.

Upon renewal of PT Koba CoW, OSRL will be able to increase up to 50% equity interest in BCL through subscription of additional 1,126,566,234 shares of USD0.01 each subject to fulfillment of certain conditions precedent stipulated in the SAA including MSC obtaining shareholders’ approval at an extraordinary general meeting (EGM) to be convened upon at a later date.

19. Interest-Bearing Loans and Borrowings

Group borrowings as at 31 March 2012 comprise the following :

	31.03.2012
	RM'000
a) Short Term Borrowings (unsecured)	
Bank overdraft	1,340
Revolving credit	46,027
Foreign currency trade finance	71,173
Bankers’ acceptances	305,655
	424,195
Current portion of long term borrowings	44,600
	468,795

	31.03.2012
	RM'000
b) Long Term Borrowings (unsecured)	
Term loans	6,904
Revolving credit	15,343
	22,247

Amount denominated in foreign currency	'000
Bank overdraft (US dollar)	437
Foreign currency trade finance (US dollar)	23,195
Revolving credits (US dollar)	25,000
Term loans (US dollar)	11,785

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 1.25% to 4.05% (2011: 1.01% to 3.84%) per annum for the Company and 1.25% to 5.20% (2011: 1.01% to 3.84%) 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.

20. Derivative Financial Instruments

As at 31 March 2012, 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	44,294	43,546	(561)
ii) Foreign Currency Forward Contracts - Less than 1 year	162,481	163,117	(477)

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

During the current financial year-to-date, the Group has recognised a fair value loss net of tax of RM29,000 in its income statement.

21. **Changes in Material Litigation**

Since 31 December 2011, there was no new development on the outstanding material litigations as at 5 May 2012, 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**

The Group recorded a pre-tax profit of RM8.70 million in 1 Q 2012 compared with a loss of RM35.12 million for 4 Q 2011.

Both the international smelting business and the tin mining operations in Malaysia achieved satisfactory profits in 1 Q 2012 notwithstanding a more challenging global economic environment. However these profits were substantially off-set by the losses incurred by tin mining operations in Indonesia as explained in the following Note 23.

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

Group revenue increased by 4.6% to RM771.9 million in 1 Q 2012 from RM737.9 million in the corresponding quarter of 2011. The increase was mainly due to higher sales volume recorded by the Butterworth international tin smelting business. Despite better performance achieved by the international tin smelting operations, the Group's overall pre-tax profit fell to RM8.7 million in 1 Q 2012 compared with RM45.82 million registered in the previous year's corresponding quarter mainly due to continuing losses incurred by PT Koba Tin's Indonesian operations. Although average tin price somewhat recovered to USD22,900 per tonne in 1 Q 2012 from a low of USD20,800 in 4 Q 2011, it was still 23% lower than USD29,900 in 1 Q 2011. The lower tin price continued to adversely affect the performance of PT Koba Tin with a loss of RM27.93 million in 1 Q 2012 as mine production was still at lower level with consequent higher unit cost of production.

The Butterworth international tin smelting operations continued to perform well with a profit before tax of RM29.8 million in 1 Q 2012. The Group's mining operations at Rahman Hydraulic Tin, Perak, achieved a pre-tax profit of RM10.05 million on the back of improved production which helped to mitigate the impact of lower tin price.

The associates and jointly controlled entity also reported lower profits in 1 Q, 2012.

24. **Current Year Prospects**

The operating environment is expected to continue to be difficult and challenging due to weaker demand for commodities arising from the prevailing global economic uncertainties including sovereign debt concerns and economic recession in Europe.

Rationalisation activities to turnaround PT Koba Tin's operations require a significant improvement in production and drastic cost cutting measures. . However, the results of any efforts to increase mine production will be subject to the renewal of PT Koba Tin's Contract of Work with the Government of Indonesia. Barring any unforeseen circumstances and subject to tin prices increasing to a more reasonable level the Board expects the Group's overall operating performance to be profitable.

25. **Earnings/(Loss) Per Share**

	3 months ended 31.03.2012	3 months ended 31.03.2011
Profit attributable to equity holders of the Company (RM'000)	5,673	28,276
Weighted average number of ordinary shares in issue ('000)	100,000	93,056
Basic earnings per share (sen)	5.7	30.4

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

	Current Quarter Ended 31.03.2012 RM'0000	Preceding Quarter Ended 31.12.2011 RM'0000 (restated)
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	219,209	219,340
- Unrealised	(9,529)	(8,340)
	209,680	211,000

Total share of accumulated losses from associated companies:

- Realised	(7,591)	(7,842)
- Unrealised	122	121

Total share of retained profits/(accumulated losses) from jointly controlled entity:

- Realised	38,402	38,452
- Unrealised	(11,718)	(11,790)

	<u>228,895</u>	<u>229,941</u>
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Add: Consolidation adjustments	<u>(9,681)</u>	<u>(16,400)</u>
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Retained profits as per financial statements	<u>219,214</u>	<u>213,541</u>
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27. **Dividend Payable**

A final dividend of 18 sen per ordinary share less 25% tax (2010: 3 sen less 25% tax per share) amounting to RM 13.5 million (2010: RM2.25 million) for year ended 31 December 2011 has been approved by the members at the Annual General Meeting of the Company held on 4 May 2012. It will be paid on 8 June 2012 to depositors registered in the Record of Depositors at the close of business at 4.00 p.m., 23 May 2012.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
11 May 2012