MSC Malaysia Smelting Corporation Berhad

(Incorporated in Malaysia)
Company No. 43072-A

annual report 2007

Embracing the potentials of the future through diversification in the metals and mineral resources sector

annual report 2007

MSC GROUP'S MINING, SMELTING & EXPLORATION ACTIVITIES AND MAJOR INVESTMENTS IN THE ASIA-PACIFIC REGION

VISION

To build on the foundation of a successful global integrated tin business and transform the MSC Group into a well established resources organization in the metals and mineral resources sector based in the Asia-Pacific region with a global outlook and worldwide network of capabilities and an articulated vision to earn superior returns to shareholders.

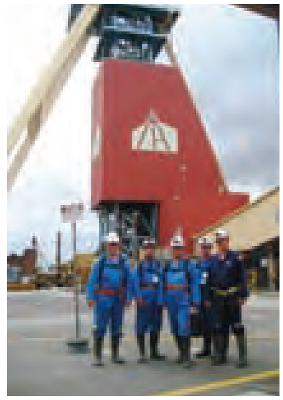
1. Guilin Hinwei Tin Co. Ltd.
2. Ban Phuc Nickel Project
3. Rahman Hydraulic Tin Sdn Bhd
4. Butterworth Smelter
5. PT MSC Indonesia
6. PT Koba Tin
7. AOM's Gold and Base Metal Exploration JV
8. AOM's Tin Exploration JV
9. Beaconsfield's Gold and Base Metal Projects
10. Beaconsfield Gold Mine
11. PT Tenaga Anugerah

RUSSIA

MONGOLIA

CHINA

Guangzhou



of our portfolio

diversification

Bangkok

Hanoi

VIETNAM

CONTENTS

PHILIPPINES
Malaysia
Singapore
INDONESIA
VIETNAM CHINA

of our portfolio diversification

CANADA
AUSTRALIA
Sydney
Brisbane
Melbourne
Perth

TASMANIA
Hobart

Rationale:

Ever since our establishment over a century ago, we have been steadfast in achieving our goals. Today, we are one of the world's largest, fully-integrated producer of tin metal. Yet, we are not one to rest on our laurels. We persistently seek to boost our foundation further. As we continue to leverage on innovation and optimise the immense potentials of the mining industry, we are pleased to enhance our portfolio with gold, coal, nickel and base metals.

MSC GROUP BUSINESS PROFILE

With roots dating back to 1887 as the smelting operations arm of The Straits Trading Company Limited (STC), Malaysia Smelting Corporation Berhad (MSC) of today enjoys an unsurpassed global reputation as the world's leading custom smelter and is renowned as one of the world's largest integrated producers of tin metal.

Not one to rest on its laurels, the Group has embarked on a vigorous diversification strategy in 2007 which is intended for the Company to transform itself once again - this time from a single commodity business focused on tin to a well establised resources organisation in the metals and mineral resources sector based in the Asia-Pacific region with a global outlook and worldwide network of capabilities.

With the Group's core expertise and solid foundation of over a century of smelting excellence to its credit, the Group's smelting facility in Butterworth operates one of the most cost efficient smelting plants in the world converting primary, secondary and often complex tin bearing ores into high purity tin metal for industrial application. The plant has a production capacity of approximately 35,000 tonnes of refined tin a year. MSC Straits refined tin brand which is registered at London Metal Exchange (LME) and Kuala Lumpur Tin Market (KLTM) is accepted worldwide and has purity ranging from the standard Grade A (99.85% Sn) to the premium grade electrolytic tin (99.99% Sn).

The Group's Indonesian operations are primarily undertaken through its three subsidiaries - 75% owned PT Koba Tin, wholly owned PT MSC Indonesia and 60% owned PT Tenaga Anugerah. PT Koba Tin operates two dredges and gravel-pump mining units in rich alluvial grounds within an area of 41,680 hectares under a contract of work agreement with the Government of Republic of Indonesia. PT Koba Tin has its own smelter with a production capacity of 25,000 tonnes of refined tin a year and produces the premium grade Koba brand (99.9% Sn) which is also widely consumed as a premier brand with superior quality.

PT MSC Indonesia is the Group's vehicle undertaking major exploratory programmes to search for new on-shore tin deposits in Indonesia under production sharing agreements with local Indonesian counterparts. PT MSC Indonesia has entered into various exploration and production sharing agreements covering a total prospective area of approximately 16,000 hectares in Indonesia.

PT Tenaga Anugerah has secured production sharing rights in offshore tin mining areas in Indonesia. Production is expected to commence during the middle of 2008.

The Group has also gained a foothold in the Australian tin mining industry with its 40% equity interest in Australian Oriental Minerals NL (AOM). AOM is currently undertaking exploration and development of prospective and potential tin mining areas in Australia.

In November 2004, MSC acquired Rahman Hydraulic Tin Sdn. Bhd. (RHT), Malaysia's long established and largest operating open-pit eluvial tin mine. Extensive exploration works and improvements of milling/concentrator circuit and recovery operations have been undertaken since the takeover, and today RHT is a sustainable and significant tin producer in Malaysia.

In the downstream sector, the Group has a 40% equity interest in Redring Solder (M) Sdn Bhd. Redring Solder's principal activities are the manufacture and sale of both the tin lead and lead free solder products for jointing and semi-conductor applications in the electrical and electronic industries.

In October 2007, MSC entered into a joint venture agreement with Guangxi Guilin Jinwei Realty Co. Ltd and Vertex Metals incorporation of Taiwan to enable it to own and operate a tin smelting plant in the Guangxi province. The Company's stake in this joint venture is 40%. The smelting plant is located in Linqui, Guangxi and is expected to have a targeted annual production capacity of 10,000 tonnes of refined tin and tin based products, including tin chemicals and is projected to commence operations in the second quarter of 2008.

OTHER METALS AND MINERALS

Three core metals and minerals - gold, coal and nickel - have been identified to be added to MSC's portfolio and a three pronged strategy for its diversification plans has been adopted. These are:

- Strategic investment as a cornerstone investor with board representation
- Life-of-mine investments with controlling interest and potentials for further expansion through organic growth and acquisitions
- Portfolio investments in resource equities

Barely six months' into the adoption of the diversification strategy, the Group managed to make significant stride by its strategic entries into both nickel and gold sectors.

Nickel

In December 2007, MSC acquired a strategic interest in a nickel development project in Vietnam through the subscription of 12.8% shares in the Canadian listed Asian Mineral Resources Limited (AMR) with provision to increase is shareholding further up to 18.96%. AMR's nickel project offers high grade massive sulphide nickel deposit which is being developed to become low cost nickel producer with a short lead time to production and is expected to commence in early 2009.

Gold

In March 2008, MSC chalked up another historic milestone following its strategic entry into the gold sector with the acruisition of 18.9% interest in Beaconsfield Gold NL, a company listed on the Australian Securities Exchange. Beaconsfield is a mid-tier gold producer operating a high grade underground gold mine in Tasmania, Australia.

MSC will continue to focus its growth strategy on its core business through strategic acquisitions and organic growth where its core expertise, skills and capabilities can add value and make a difference particularly in increasing operating efficiencies, innovating products and services and forging global commercial and marketing networks to ensure its continued leadership position in the tin industry. Whilst the core tin business shall provide stable earnings, the MSC Group shall continue to broaden its earnings base in the global metals and mineral resources sector, working strategically and synergistically with its parent company, The Straits Trading Company Limited.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Independent Non-Executive Directors
Mr Norman Ip Ka Cheung (Chairman)
Ms Victoria Ko Miu Ha

Executive Director
Dato' Dr Mohd Ajib Anuar

Senior Independent Non-Executive Director
Mr Choi Siew Hong

Independent Non-Executive Director
En Razman Ariffin

COMPANY SECRETARY

Cik Sharifah Faridah Abdul Rasheed *(LS0008899)*

MANAGEMENT

Dato' Dr Mohd Ajib Anuar
(Group CEO/Executive Director)

Mr Lai Fook Hoy
(Group Chief Operating Officer)

Mr Yap Fook Ping
(Group Chief Financial Officer)

Mr Chua Cheong Yong
(Group Senior General Manager, Commercial)

En Kamardin Md Top
(Managing Director, PT Koba Tin)

En Omar Mohd Alwi
(President Director, PT MSC Indonesia)

REGISTERED, CORPORATE AND MARKETING OFFICE

B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel: (603) 2166 9260-61
Fax: (603) 2166 6599
E-mail: msckl@po.jaring.my
www.msmelt.com

BUTTERWORTH SMELTER

27, Jalan Pantai
12000 Butterworth
Penang, Malaysia
Tel: (604) 333 3500
Fax: (604) 331 7405/332 6499
E-mail: msc@msmelt.com

PT KOBA TIN OFFICE

Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No.2
Jakarta 10220, Indonesia
Tel: (62) (21) 251 1566
Fax: (62) (21) 251 1532
E-mail: kobatin@jkt.ptkoba.co.id
www.ptkoba.co.id

PT MSC INDONESIA OFFICE

Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No.2
Jakarta 10220, Indonesia
Tel: (62) (21) 5793 9120/1
Fax: (62) (21) 5793 9119
E-mail: tanti@ptmsci.co.id

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No.8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: (603) 2721 2222
Fax: (603) 2721 2530

AUDITORS

Ernst & Young

BANKERS

CIMB Bank Berhad
Citibank Berhad
Calyon
Hong Leong Bank Malaysia Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad Main Board

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at Ballroom 1, Level 2, G Hotel, 168A Persiaran Gurney, 10250 Penang, Malaysia on Tuesday, 22 April 2008 at 11.30 am for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

1. "THAT the audited Financial Statements for the year ended 31 December 2007 and the Report of the Directors and Auditors thereon be and are hereby received and adopted."
2. "THAT the final dividend of 10 sen per RM1.00 ordinary share tax exempt and 10 sen per RM1.00 ordinary share less 26% tax, for the year ended 31 December 2007 be and is hereby approved and declared payable on 28 May 2008 to shareholders on the Register of Members at 5.00 pm on 12 May 2008."
3. "THAT Mr Norman Ip Ka Cheung, who retires in accordance with Article 101 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."
4. "THAT Ms Victoria Ko Miu Ha, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."
5. "THAT Mr Choi Siew Hong, who retires pursuant to Section 129(6) of the Companies' Act, 1965 be and is hereby reappointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
6. "THAT the Directors' fees of RM 400,000 in respect of the year ended 31 December 2007 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."
7. "THAT Messrs Ernst & Young, who are eligible and have given their consent for reappointment be and are hereby reappointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board."
8. To transact any other business of an Annual General Meeting.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a final dividend of 10 sen per RM1.00 ordinary share tax exempt and 10 sen per RM1.00 ordinary share less 26% tax, if approved, will be paid on 28 May 2008 to depositors registered in the Record of Depositors at the close of business on 12 May 2008. A depositor shall qualify for the entitlement only in respect of:

a) Shares transferred into the Depositor's Securities Account before 5.00 pm on 12 May 2008 in respect of transfers; and

b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
Sharifah Faridah Abdul Rasheed
Company Secretary
Kuala Lumpur
31 March 2008

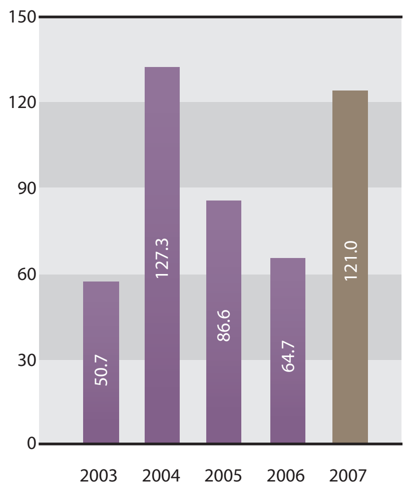
Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. A proxy form is enclosed and to be valid must reach the Registered Office of the Company at B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the meeting.
3. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

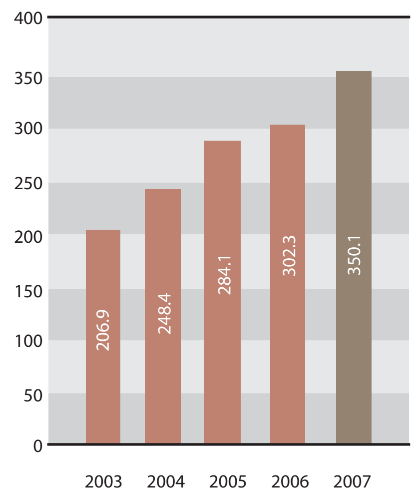
GROUP FINANCIAL HIGHLIGHTS

		Year Ended 31st December				
		2003 Restated	2004 Restated	2005 Restated	2006	2007
Revenue	(RM Mil)	783.4	1,862.5	1,692.8	1,637.7	**1,913.1**
Profit before taxation	(RM Mil)	50.7	127.3	86.6	64.7	**121.0**
Taxation	(RM Mil)	(16.0)	(45.6)	(22.6)	(20.2)	**(42.8)**
Profit attributable to shareholders	(RM Mil)	26.4	61.2	56.7	41.5	**67.4**
Total assets	(RM Mil)	486.1	670.4	757.1	730.0	**841.4**
Net current assets	(RM Mil)	150.8	181.4	152.4	215.1	**177.6**
Shareholders' funds	(RM Mil)	206.9	248.4	284.1	302.3	**350.1**
Earnings per share	(sen)	35	82	76	55	**90**
Gross dividend paid per share	(sen)	18	29	40	23	**20**
Net assets per share attributable to shareholders of the Company	(sen)	276	331	379	403	**467**
Pre-tax return on average shareholders' funds	(%)	25	56	32	22	**37**

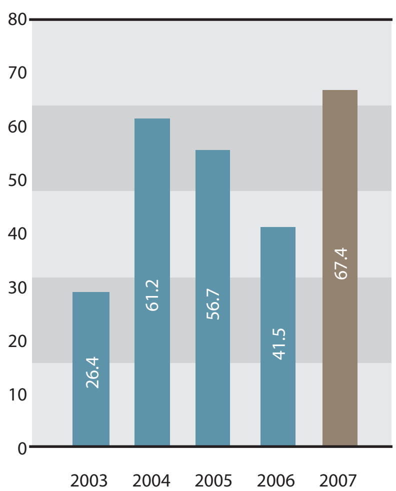
Restated due to implementation of new Financial Reporting Standards in 2006



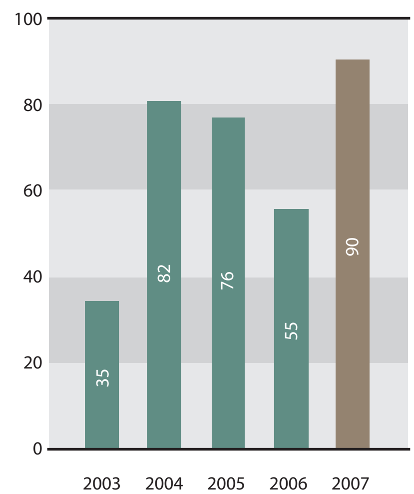
Profit Before Taxation (RM Mil)



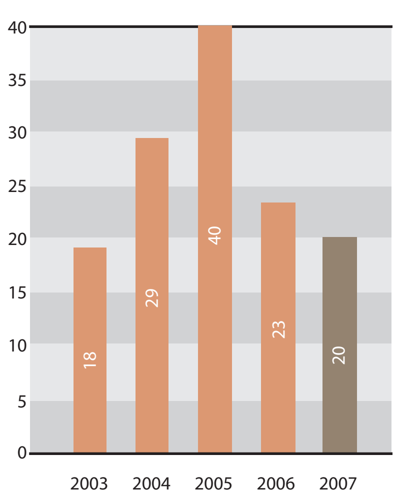
Shareholders' Funds (RM Mil)



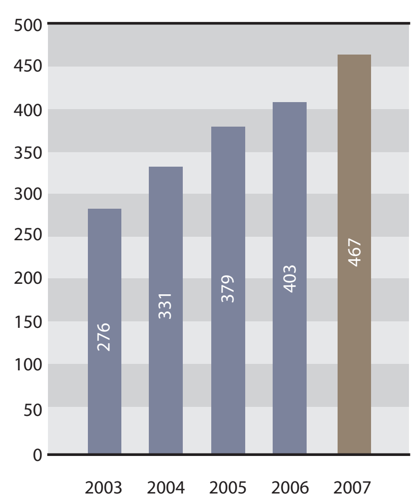
Profit Attributable to Shareholders (RM Mil)



Earnings Per Share (sen)



Gross Dividend Paid Per Share (sen)



Net Assets Per Share Attributable to Shareholders of the Company (sen)

BOARD OF DIRECTORS

BOARD OF DIRECTORS

(From right to left)

MR NORMAN IP KA CHEUNG *(CHAIRMAN)*
MR CHOI SIEW HONG
EN RAZMAN ARIFFIN
MS VICTORIA KO MIU HA
DATO' DR MOHD AJIB ANUAR

BOARD COMMITTEES

AUDIT COMMITTEE

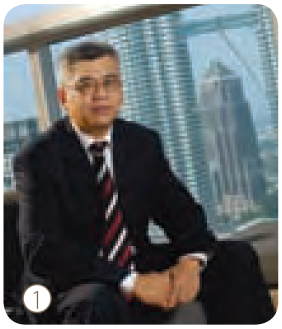
MR CHOI SIEW HONG *(CHAIRMAN)*
MR NORMAN IP KA CHEUNG
EN RAZMAN ARIFFIN

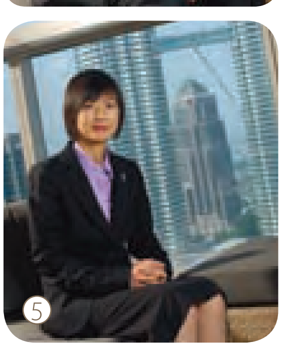
NOMINATING COMMITTEE

MR CHOI SIEW HONG *(CHAIRMAN)*
EN RAZMAN ARIFFIN
MR NORMAN IP KA CHEUNG

REMUNERATION COMMITTEE

MR NORMAN IP KA CHEUNG *(CHAIRMAN)*
MR CHOI SIEW HONG
DATO' DR MOHD AJIB ANUAR





MR NORMAN IP KA CHEUNG

Mr Norman Ip Ka Cheung is a British subject aged 55 years. He was first appointed to the Board in 1993 in the capacity of a Non-Independent Non-Executive Director and assumed the role of Chairman of the Company in April 2007. He also chairs the Remuneration Committee and is a member of the Audit Committee and the Nominating Committee. A fellow of the Institute of Chartered Accountants In England and Wales, Mr Norman Ip graduated with a BSc. (Econs) Degree from the London School of Economics and Political Science.

Mr Ip is presently the President and Chief Executive Officer of The Straits Trading Company Limited in Singapore, which is the immediate holding company of Malaysia Smelting Corporation Berhad. Prior to joining The Straits Trading Group in 1983, he was a supervisor with Ernst & Whinney (now known as Ernst & Young) specializing in audits of conglomerates.

He also sits on the Board of Australia Oriental Minerals NL (formerly known as Marlborough Resources NL), and WBL Corporation Limited, companies listed in Australia and Singapore respectively, as well as several private limited companies in Malaysia and Singapore.

Mr Norman Ip does not have any family relationship with any other director of the Company and neither has he been convicted of any offence.

①

YBHG DATO' DR MOHD AJIB ANUAR

YBhg Dato' Dr Mohd Ajib Anuar is a Malaysian aged 58 years. He was first appointed to the Board as a Non-Independent Non-Executive Director in July 1986 and has been the Chief Executive Officer and Executive Director of the Company since June 1994.

YBhg Dato' Dr Mohd Ajib Anuar holds the professional qualification of the Association of Chartered Certified Accountants, United Kingdom. He has more than three decades of experience and expertise in the global tin and mineral resources industry. He also serves as the Managing Director of The Straits Trading Group's resource management unit, Straits Resource Management Private Limited. Currently, he serves as the Chairman of The Kuala Lumpur Tin Market, the President of the Malaysian Chamber of Mines and the Chairman of the Malaysian Tin industry (Research and Development) Board as well as a director of ITRI Innovation Ltd, UK (the research and development body of the world's tin industry).

Prior to his appointment as the CEO of the Company, YBhg Dato' Dr Mohd Ajib Anuar spent 23 years in Malaysia Mining Corporation Berhad Group of Companies (now known as MMC Corporation Berhad Group of Companies), serving in various senior positions including as the General Manager of the Finance Division, Director of Business Development and Managing Director of MMC's International Marketing Division. He had also served as the Deputy Chairman of The Kuala Lumpur Commodity Exchange (1988 to1993) as well as Chairman of the Malaysian Futures Clearing Corporation (1990 to 1993).

YBhg Dato' Dr Mohd Ajib Anuar does not have any family relationship with any other director and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.

②

MR CHOI SIEW HONG

Mr Choi Siew Hong is a Malaysian aged 86 years. He was first appointed to the Board of the Company in April 1989 and was appointed Chairman of the Audit Committee in August 1994, Chairman of the Nominating Committee in February 2002 and a Senior Independent Non-Executive Director in January 2003.

Mr Choi has enjoyed an illustrious career in the banking industry. Equipped with a First Class Honours Degree in Economics from the University of Malaya, he served Bank Negara as Secretary and Adviser from December 1958 to January 1966 and then as Deputy Governor to October 1972. He was an Executive Director of the World Bank representing Malaysia and other countries in the South East Asia Voting Group from November 1972 to October 1975. He assumed a senior executive position and later that of General Manager in the Malaysia Division of Oversea Chinese Banking Corporation Limited from 1976 to July 1986. He was a director of The Pacific Bank Berhad (now known as PacificMas Berhad) from 1976 and became Chairman of the Bank from 1988 to 1994. Prior to his reappointment as Chairman of Pacific Bank in October 1997, he was the Chairman of OCBC Bank (Malaysia) Berhad.

Currently, Mr Choi Siew Hong is the Chairman of PacificMas Berhad, Chairman and Executive Director of United Malacca Berhad, Chairman of Pacific Insurance Berhad, Pacific Mutual Fund Berhad and Malaysian Trustees Berhad. He also sits on the boards of several private companies.

Mr Choi Siew Hong does not have any family relationship with any other director and/or major shareholders of the Company or any conflict of interest with the Company. He has never been convicted of any offence.

③

EN RAZMAN ARIFFIN

En Razman Ariffin is a Malaysian aged 60 years. He was appointed to the Board of the Company on 15 February 2006 as an Independent Non-Executive Director. Currently, he is a member of the Audit Committee and Nominating Committee.

En Razman Ariffin graduated from the Imperial College of Science and Technology at the University of London, England with a First Class Honours Degree in Mining Engineering.

His involvement in the mining, metallurgical and energy industries spans over 30 years. Beginning his career at Osborne & Chappel Sdn. Bhd. in 1972, En Razman served as Production and Planning Engineer before moving on to Sarawak Shell Berhad as Petroleum Engineer. From 1977 to 1984, he was attached to the MMC Corporation Berhad Group of Companies serving in various capacities over the years. He was the General Manager of Malaysia Smelting Corporation Berhad from 1985 to 1989 and the Chief Executive Officer of the Company from 1989. He left the Company in 1994 to become Senior Consultant at Turnaround Managers Inc. He has also served as Managing Director of Trenergy (M) Berhad and Crest Petroleum Berhad, both companies listed on Bursa Malaysia. Currently, he is an independent strategic and corporate consultant. He is a past Chairman of the Malaysian section of the Institute of Materials, Minerals & Mining, and had also served on the Council of the Institute of Mineral Engineering, Malaysia.

En Razman is also a Director of The Straits Trading Company Limited and is the Chairman of PT Koba Tin.

En Razman Ariffin does not have any family relationship with any other director of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.

④

MS VICTORIA KO MIU HA

Ms Ko is a Singaporean aged 50 years. She was appointed to the Board as a Non-Independent Non-Executive Director on 2 January 2008.

A Chartered Accountant with the Institute of Chartered Accountants in England and Wales, she graduated with a BSc. (Econs) Degree from the London School of Economics. Ms Ko also holds a Master Degree in Finance from City University as well as a Bachelor of Law Degree from the University of London.

Ms Ko is currently the Senior Executive Vice President & Group Chief Financial Officer of The Straits Trading Company Limited Group in Singapore which is the immediate holding company of Malaysia Smelting Corporation Berhad. She has overall responsibility for the financial and corporate affairs and oversees the operations of various business units of The Straits Trading Group. Prior to joining The Straits Trading Group, she worked as an auditor and subsequently as a management consultant with international professional accounting firms.

Ms Ko does not have any family relationship with any other director of the Company and neither has she been convicted of any offence.

⑤

On behalf of the Board of Directors, we are pleased to present the Annual Report and Financial Statements of Malaysia Smelting Corporation Berhad (MSC or the Company), its subsidiaries and associated companies (the Group) for the year ended 31 December 2007.

The Group achieved a strong earnings growth in 2007 despite the volatile business and regulatory environments in Indonesia and disruptions in PT Koba Tin's mining and smelting operations during most part of the year. With the well established global reputation and its dedicated team of people, the Group has emerged stronger after the Indonesia crisis to take on the continuing challenges and opportunities ahead. The strong earnings growth was achieved on the back of robust tin prices, improved operating efficiencies in Malaysia as well as the rapid turnaround of PT Koba Tin in the fourth quarter of 2007 following the successful rationalization programme.

2007 also saw the Group pursuing vigorously its diversification strategy so that the Group is not exposed to only a single commodity business or to a specific country. To this end, the Group has, in the last six months, made several strategic alliances and long-term investments in tin, nickel and gold in diverse geographical locations.

In October 2007, MSC entered into a strategic alliance agreement to establish a joint venture company for smelting and refining of tin and tin metal products in China. MSC will have a 40% interest in this joint venture. In December 2007, the Group ventured into its first offshore tin mining in Indonesia through its 60% subsidiary, PT Tenaga Anugerah. PT MSC Indonesia, a wholly-owned subsidiary of the Group, has also achieved significant progress at the end of 2007 to secure all the relevant approvals to commence inland tin mining in joint venture areas with a local partner. In addition, MSC is also in active discussions with a few tin companies in Australia, Africa and Russia for further expansions and diversifications.

Besides tin, in December 2007, the Group acquired a strategic interest in a nickel development project in Vietnam through the subscription of 12.8% shares in the Canadian listed Asian Minerals Resources Limited (AMR) with detachable warrants, exercisable before the end of April 2008, entitling MSC to acquire additional shares which will increase MSC's holding in AMR to approximately 18.96%. In March 2008, the Company announced that it would, subject to the Company's shareholders' approval, exercise the warrants. AMR's nickel project offers high grade massive sulphide nickel deposit which is being developed to become a low cost nickel producer with a short lead time to production which is expected to commence in early 2009. In February this year, the Company created another historic milestone following its strategic entry into the gold sector with the acquisition of 18.9% interest in Beaconsfield Gold NL, a company listed on the Australian Securities Exchange. Beaconsfield is a mid-tier gold producer operating a high grade underground gold mine in Tasmania, Australia. Both AMR and Beaconsfield have strong management and technical capabilities.

The Group's growth strategy is to first build an entry position in the specific metal sector and to subsequently enhance value through organic growth as well as strategic acquisitions and consolidations. The Group will focus on companies with suitable advanced stage exploration and development projects, high quality assets, low operating cost, potential or proven profitable operations and strong management.

The Group's vision is to build on the foundation of a successful global integrated tin business and to transform the MSC Group into a well established resources organisation in the metals and mineral resources sector based in the Asia-Pacific region with a global outlook and worldwide network of capabilities and an articulated vision to earn superior returns for shareholders. To achieve this, the Group will leverage on the core expertise and talents of not only its existing personnel who have in-depth knowledge in tin and exposure to the global resources industry but also the Group's strategic partners.

RESULTS

The Group's turnover for the year 2007 rose 16.8% to register a record high of RM1.913 billion compared with RM1.638 billion in 2006. Group profit before taxation recorded an increase of 87% to RM120.995 million (2006: RM64.680 million) providing a pre-tax return of 37% on its average shareholders' funds. Group profit after taxation was 76% higher at RM78.216 million (2006: RM44.468 million). Net earnings attributable to shareholders increased by 62% to RM67.441 million from RM41.510 million in 2006. Earnings per share improved to 89.9 sen (2006: 55.3 sen) and shareholders' funds rose to RM350.127 million at the end of 2007 (2006: 302.349 million).

DIVIDENDS

The Directors have recommended the payment of a final tax exempt dividend of 10 sen per ordinary share and 10 sen per ordinary share less 26% tax (2006: 12 sen less 27% tax per share) amounting to RM13.05 million (2006: RM6.57 million) which, subject to the approval of the members at the forthcoming Annual General Meeting of the Company on 22 April 2008, will be paid on 28 May 2008 to members registered on the Company's register at the close of business at 5.00 pm on 12 May 2008.

These, in addition to the interim dividend of 8 sen per share less 27% tax (2006: 8 sen tax exempt per share) paid on 30 October 2007, would bring the total dividends for the year 2007 to 28 sen per share (gross) totaling RM17.43 million net (2006: RM12.57 million).

OPERATIONS

The Group's overall production of tin metal in 2007 was 33,195 tonnes, 24.1% lower than 43,724 tonnes in the previous year. The reduction was mainly due to a sharp fall in the production of PT Koba Tin from 20,930 tonnes in 2006 to 7,724 tonnes in 2007 as a result of the closure of small-scale mining operations for about six months since 23 January 2007 and the subsequent resumption of operations in August at a significantly reduced production level under a new sub-contracting arrangement. With the reduction in production, PT Koba Tin undertook a major cost rationalization and resizing programme to improve its operating efficiency. The resulting benefits of the rationalization, aided by higher tin prices, were reflected in the significant turnaround of PT Koba Tin in the final quarter of 2007.

PT MSC Indonesia continued to undertake development activities to identify additional potential tin mineralization areas inland and offshore through joint ventures and strategic alliances with local partners. These efforts contributed to the acquisition of several mining rights through the Company's 60% subsidiary, PT Tenaga Anugerah.

MSC's Butterworth smelting and refining operations performed well in 2007 on the back of an increase in tin metal production to 25,471 tonnes from 22,850 tonnes in 2006 and improvement in operating efficiency. The Group's tin trading and marketing division in Kuala Lumpur achieved a reasonable level of profitability during the year despite the reduction in the volume of production from PT Koba Tin.

Rahman Hydraulic Tin Sdn Bhd delivered another commendable performance from its Malaysia's largest open pit eluvial tin mine at Klian Intan, Perak with improved efficiencies in its mining and mineral processing operations. Significant upgrading works to improve recoveries at the various processing plants and installation of a more cost-effective electricity generating unit were successfully undertaken during the year.

MSC's 49.11% associate, Australia Oriental Minerals NL (AOM), which is listed on the Australian Securities Exchange continued its exploration programme for tin and base metals such as gold and copper in its exploration tenements in New South Wales and Queensland. Funding for the exploration activities was provided by AOM's joint venture partners through "farm-in" agreements in return for an agreed earned interest. MSC made an additional investment of approximately RM5.5 million in AOM through the latter's renounceable rights issue during 2007 to raise funds for metals resource development activities.

DEVELOPMENTS AT PT KOBA TIN AND INDONESIAN TIN OPERATIONS

In the Statement by The Chairman and The Group Chief Executive Officer last year, the Company advised that in January 2007 the Indonesian National police carried out extensive investigation on the allegation that PT Koba Tin had received tin ores from small-scale miners operating outside its Contract of Work (COW) area. As a result, all small-scale mining operations had to cease production. Delivery and shipment of tin metal were also suspended until May 2007. The police investigation resulted in legal proceedings on 4 June 2007 against PT Koba Tin's three executive directors in a District Court in the Province of Bangka Belitung. The District Court judgment, delivered on 1 August 2007, fully acquitted the three directors of all charges. The District Attorney subsequently lodged an appeal to the Supreme Court in September 2007. On 19 February 2008, the Supreme Court issued a decision rejecting the appeal. The District Court judgment and the Supreme Court decision clearly demonstrated that PT Koba Tin had been operating within the legal parameters of Indonesian laws including paying of taxes and royalty for the export of tin from its leases and undertaking the necessary environmental and rehabilitation works.

Small-scale mining operations resumed in August 2007 under a new sub-contracting arrangement approved by the Department of Mineral Resources and all the relevant Local Government Authorities. All sub-contractors were allocated their respective designated mining blocks or areas with estimated tin ore reserves. Production and delivery of tin concentrates by these sub-contractors to PT Koba Tin had to be supported by certified documentary including independent surveyor's certificate prior to final shipment of tin metal.

Despite full compliance with all Indonesian laws and regulations, there are still a number of controversial and unresolved issues between the local and the federal governments over control of mining rights and operations. On 29 January 2008, PT Koba Tin received a notice from the Head of local police in the District of Bangka Tengah that it was investigating allegations that two of PT Koba Tin's appointed sub-contractors had been mining in a forest area within PT Koba Tin's COW area where mining is prohibited and that PT Koba Tin had to stop receiving tin ore from all its sub-contractors as well as to cease production of tin ingots from its smelting operations. PT Koba Tin subsequently advised that its internal control measures and investigation had confirmed that all production from its appointed sub-contractors had been derived from mining activities carried out within its COW and outside the forest area.

The management of PT Koba Tin had sought legal clarification and assistance from relevant authorities at the District, Provincial and Central Government levels on the actions taken by the local police and their disruptive effects on PT Koba Tin's business and consequential losses. On 14 March 2008, the Head of local police granted approval for the smelting plant to resume operations. However, the sub-contractors small-scale production continued to be suspended. The Board is hopeful that these issues would be resolved as soon a possible so that PT Koba Tin's small-scale mining operations could resume.

DIVERSIFICATION AND GROWTH STRATEGIES

In line with the new vision to transform the Group into a well established diversified resources organization, the Board has adopted a three-pronged strategy in its future growth direction:

- strategic investments as a cornerstone investor with board representation
- life-of-mine investments with controlling interest and potentials for further expansion through organic growth and acquisitions
- portfolio investments in resource equities

The strategic and life-of-mine investments in the next three years will focus on the robust tin, gold, coal, nickel and base metal sectors which the Board believes can provide attractive entry investment opportunities.

OUTLOOK

Subject to satisfactory resolution to the Group's operations in Indonesia and in the light of the current high tin price and barring any other unforeseen circumstances, the Board expects the overall performance of the Group for the current year to continue to be positive.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance to safeguard the interests of shareholders and stakeholders. The statement on corporate governance included in this Annual Report describes how the Company applies the principles of corporate governance in compliance with the Principles and Best Practices set out in the Malaysian Code on Corporate Governance.

INTERNAL CONTROL

The Board has overall responsibility for the Group's internal control and risk management systems and for reviewing their effectiveness. These procedures, aimed to safeguard assets, ensure proper accounting records are maintained so that the financial information pertaining to the business and for publication are transparent and reliable. The risk management procedures are designed to manage key vulnerabilities. However, they cannot eliminate all the commercial risks and guarantee there will be no shortfall in achieving the business objectives.

Risk in today's world moreover is multifaceted. We are pleased to report that the Group has instituted an on-going process for identifying, evaluating and managing the significant risks endemic to our industry. The Statement on Internal Control in this Annual Report reports on the process now in place and is regularly reviewed by the Board and Board Committees.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, we would like to record our sincere appreciation and gratitude to the former Chairman of MSC, YBhg Jen (B) Tun Ibrahim bin Datuk Ismail who retired from the Company at the last Annual General Meeting of the Company held on 23 April 2007 for his wise leadership and counsel as well as invaluable contribution through more than 25 years of distinguished services with the Group of which he served six years as Chairman.

We would like to extend a special note of thanks to Encik Abu Bakar bin Ibrahim who joined the Board on 1 June 2007 and resigned on 31 December 2007 for his wise counsel and invaluable contributions through his time as director. We would also like to welcome Ms Victoria Ko Miu Ha who joined the Board on 2 January 2008. We would also like to take this opportunity to thank the shareholders for their continued support and loyalty. The management and the staff are to be congratulated on their commitment, dedication and perseverance towards ensuring the success of the Group. Our heartfelt gratitude also goes to our customers, suppliers, bankers, business associates, all our stakeholders and the various relevant authorities for the cooperation and continued support. Finally, we would also like to record our appreciation to our colleagues on the Board for their invaluable contribution throughout the year. Last but not least, on behalf of the Board, the Chairman wishes to express his appreciation to Dato' Ajib and his management team and the staff for their dedication and hard work, without which the results achieved would not have been possible.

NORMAN IP
Chairman

DATO' DR MOHD AJIB ANUAR
Group Chief Executive Officer/Executive Director
12-Mar-08

TIN

GUILIN HINWEI TIN CO. LTD.

The tin industry in China underwent significant change in recent years. In 2002, tin production was only 82,000 tonnes whereas in 2007, production was reported to top 145,000 tonnes. Consumption grew at a much faster rate, being only 53,000 tonnes in 2002 but climbed to 132,000 tonnes last year. The surge in consumption is driven by China's electrical and electronic export sector.

Tin production in China is concentrated in three provinces, viz - Yunnan, Guangxi and Hunan. Together these three provinces account for more than 90% of China's total production.

In 2006, MSC began discussions with a Chinese party on a proposed joint-venture to own and operate a tin smelting plant being constructed in the Guangxi province. The joint-venture with Guangxi Guilin Jinwei Realty Co Ltd and Vertex Metals Incorporation of Taiwan was formalized in October 2007. The new joint-venture company called Guilin Hinwei Tin Co Ltd was formed with a capital of Rmb150 million. MSC's investment in the joint-venture will be Rmb60 million, taking up a 40% equity interest.

The smelting plant is located in Linqui, Guangxi and will have a target annual production capacity of 10,000 tonnes of refined tin and tin based products, including tin chemicals. All regulatory approvals had been obtained and operations are expected to begin in the second quarter of 2008.

NICKEL

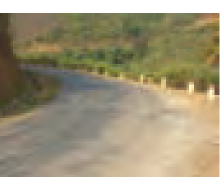
ASIAN MINERAL RESOURCES LIMITED (AMR)

The Investment

On 23 December 2007, the Company subscribed for 11,428,571 shares in AMR at C$1.75 per share, representing approximately 12.8% of the enlarged and paid-up capital of AMR, at a cost of C$20 million pursuant to a non-brokered private placement by AMR. Each share comes with 0.595 of a detachable warrant and each warrant entitles the holder to acquire one common share at an exercise price of C$2.10 per share by 30 April 2008. On exercising the warrants, MSC's holding in AMR will be increased to 18,228,570 shares, representing 18.96% of the enlarged capital of AMR.

The investment in AMR represents a strategic and significant entry for the MSC Group into the nickel mining business in the Asean region.

AMR is listed on the Toronto Stock Exchange and is principally involved in the exploration and development of mineral projects. Its main asset is a 90% equity interest in Ban Phuc Nickel Mines LLC (BPNM) which is developing the Ban Phuc massive sulphide nickel project located in North Vietnam, about 160 km west of Ha Noi. The remaining 10% of BPNM is held by a company owned by the People's Committee of the Province of Son La where the Project is located. BPNM was granted a mining license by the Ministry of Natural Resources and Environment of Vietnam on 17 December 2007. With the mining license in place, BPNM is now in full swing to develop the mine and commence production by early 2009.



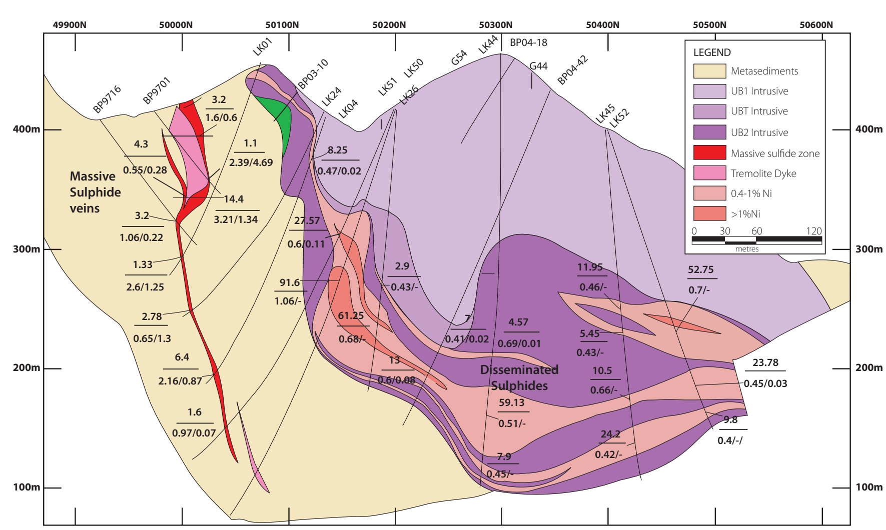
Excellent Project Infrastructure

The Ban Phuc project site, located near Ban Phuc village, is about 160 km west of Ha Noi and linked by major roads and bridges. It is only 300 km from Hai Phong, a major port serving the northern part of Vietnam. The project site also has ready access to some hydro-electric power and unlimited supply of process water.

The Ban Phuc Nickel Project

The high grade massive sulphide nickel deposit at Ban Phuc has 1.230 million tonnes of measured and indicated resources averaging 2.77% nickel, 1.135% copper and 0.09% cobalt. There is also a larger but lower grade disseminated sulphide resource, averaging between 0.485% to 0.68% nickel, adjacent to the project.

The first stage of the project will comprise underground mining of the massive nickel sulphides at a rate of 250,000 tonnes per year to produce approximately 4,900 tonnes of nickel and 2,300 tonnes of copper in concentrates annually.






Since receiving the mining licence in December 2007, mine development has commenced with the establishment of two portals (which are entrances of tunnels for underground mining).

The Engineering, Procurement, Construction and Management (EPCM) contract for the processing plant was signed in January 2008 and all long lead items for this plant have been ordered. The project is on schedule for completion and commencement of production by early 2009.





Investment Incentives

Under the Foreign Investment Licence granted in January 1993 which was subsequently replaced with an Investment Certificate on 30 July 2007 in accordance with the latest Vietnamese legislation, BPNM can operate for fifty (50) years until 2043 with the following incentives:

(i) tax-free status for four (4) years from the first (1st) profit-making year, followed by a 4-year period of 7.5% tax rate, followed by 15% until 2013 and 28% thereafter;

(ii) Import duty exemption on all new project equipment provided that these machinery and equipment satisfy one (1) of the following criteria:

  (1) must be imported in the form of the investment capital contributed by the foreign party; or
  (2) must be used for the capital construction of BPNM; or
  (3) must be imported in order to produce goods for export out of Vietnam; and

(iii) government royalty of 3% on recovered metal, 5% tariff on exported nickel and 10% tariff on exported copper and cobalt.

Exploration Areas

BPNM also has three (3) exploration licence applications, covering 98 square kilometres around the Ban Phuc project area, which are considered to be of high potential for nickel deposits. The said areas are part of the 150 square kilometres covered in the previously granted exploration licence which had to be re-applied in accordance with the latest Vietnamese legislation. Theexploration licences offer a significant upside for BPNM in terms of finding more nickel resources to extend the life of the mine and/or expand the operation. This will bode well for AMR and ultimately MSC.

GOLD

BEACONSFIELD GOLD NL (BCD)

The Investment

The Company subscribed for 70 million shares in BCD, representing 18.90% of the enlarged issued and paid-up share capital, at A$0.28 per share and a total cost of A$19.6 million pursuant to a non-brokered private placement on 3 March 2008.

BCD has an effective 94.4% beneficial interest in the Beaconsfield Mine Joint Venture (BMJV) which operates a high grade underground gold mine in Tasmania, Australia.

This investment represents a strategic and significant entry for MSC into the gold sector, through a high grade gold mining operation in an established gold mining country (Australia).

Location & Infrastructure

Beaconsfield is an underground gold mine, located 40 km by road north-west of Launceston, Tasmania. The mine is well served by established infrastructure, such as roads, airport, power and other utilities. There are regular direct flights between Melbourne and Launceston and the flying time is less than an hour.

History

The mine has a rich history dating back to 1877 when gold was first discovered and underground mining began in 1879. The historic underground mine operated till 1914, during which time approximately 840,000 oz of gold were produced from 1,070,000 tonnes of ore from the orebody (referred to locally as the Tasmania Reef) to give an average mill recovered grade of 24.3 g/t gold. With a reported average mill recovery of around 85%, the average head grade of the ore, after mining dilution, it would have been over 28 g/t gold, making Beaconsfield one of the richest gold mines in Australia. The historic mine was worked to a maximum depth of 455 metres. Economic conditions and technical constraints, in particular the inefficient mine pumping methods available at that time, together with the subsequent flooding of the shaft and workings had led to the cessation of mining at the outbreak of World War I in 1914.

Beaconsfield Mine Joint Venture (BMJV)

BMJV, a joint venture between BCD (48.49%) and Allstate Explorations NL (51.51%), reopened the mine in September 1999 and mining has since been focused on the extension of the Tasmania Reef below 455 metres. BMJV was managed by Allstate until 2007 when BCD completed the takeover of Allstate and restructuring.

Mining activity was suspended on 25 April 2006 following a fatal accident due to a rockfall at the mine. All restrictions to mining were lifted on 28 September 2007 following completion of the Case for Safety to the satisfaction of the relevant authorities.

Re-commissioning of full mining activities was completed in December 2007. BMJV went to great lengths to minimize the risks of recurrence of any fatal accident at the mine. A new mining method incorporating "tele-remote mining" (i.e. the ore will be excavated from the mining areas using camera guided remote loaders) was introduced for the western portion of the mine. Enhanced mine support was also included. The continuation of the Case for Safety approach will provide a strong basis for ensuring continued compliance of all workplace health and safety legislation.

The latest ore reserves, as of 30 November 2007, are listed below:

Proved Reserve	392,000t @ 12.0g/t Au (151,000 oz contained gold)
Probable Reserve	703,000t @ 8.6g/t Au (194,000 oz contained gold)
Total Reserve	1,095,000t @ 9.8g/t Au (346,000 oz contained gold)

Based on the above ore reserves, BMJV has prepared a model for a 4-year Life of Mine (LOM) based on mining at a rate of 20,000 tonnes per month (tpm) or 240,000 tonnes per annum (tpa) in 2008 and ramping up to 25,000 tpm (300,000 tpa) from 2009.

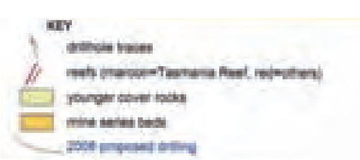
The above reserves are based on drilling results to a depth of 1,200 metres only and the deposit is still open ended at depth. BMJV is planning to carry out a major program of drilling from mid 2008 with the view to delineating more reserves at depths of between 1,200 and 1,500 metres to extend the LOM to beyond 4 years.

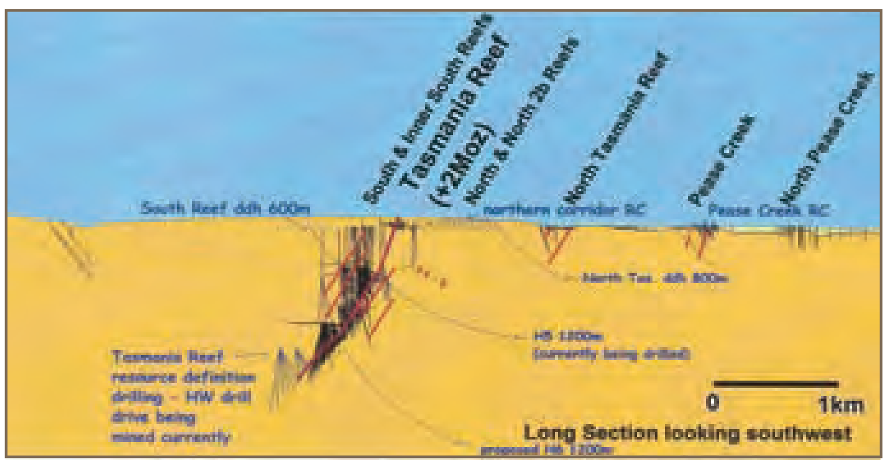
BCD is now focusing on turning around the mine, optimizing BMJV's operations, and ramping up gold production to 80,000 to 100,000 oz per year, i.e. to the levels achieved before the 2006 accident. BMJV is projected to be profitable from March 2008.

Exploration Tenements near Beaconsfield Mine

BMJV's mining lease (594 hectares) is located within a 11-km trend with "mine series rocks" which are considered to be conducive for high grade reef gold mineralization. It has three exploration tenements (totalling 2,200 hectares) in this trend where only a small amount of drilling has been done to date, despite hosting an orebody as rich and large as the Tasmania Reef which has already demonstrated an endowment of 2 million oz of gold. Also, significant gold mineralization had been encountered by earlier drilling in two of these targets, viz. up to 1 metre @ 11.5g/t Au at North & South Reefs, and 5 metres @ 5.3 g/t Au at Pease Creek.

A helicopter magnetic survey was completed in September 2007 and numerous compelling targets have been identified in and adjacent to the mine for future testing. A reconnaissance drilling program is now in progress in the near mine tenements. Any additional resources found will help to extend BMJV's LOM further.





Exploration Targets, Victoria, Australia

BCD also has two high quality drill ready targets at Stavely, about 250 km northwest of Melbourne in Victoria, viz gold at Fair View and copper at Thursday Gossan. Exploration in these areas had been limited to date due to BCD's focus on recommissioning the Beaconsfield Mine and restructuring mine ownership.

Further drilling at Thursday Gossan supergene chalcocite-blanket copper prospect has been scheduled to commence in March 2008. This aircore program will aim to bring the previously identified mineralization to resource status as well as targeting the extension of the mineralization to the south.

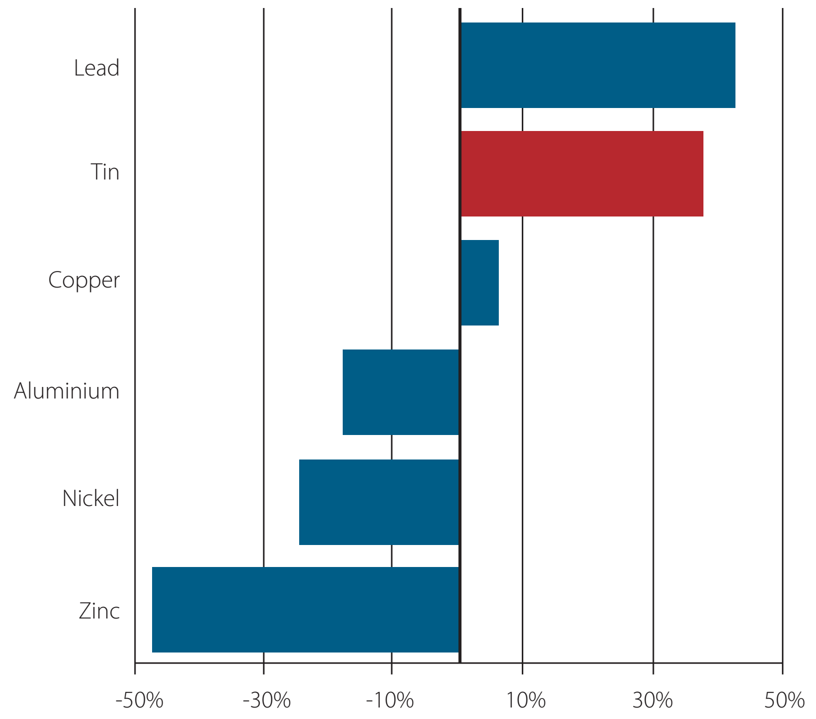
At Fair View, a 4.8-km gold anomaly along a structural trend has been delineated. This anomaly is still open to the south and north. Some encouraging results were also obtained by early aircore and RC drilling, including 31 metres @ 1.8 g/t Au, 30 metres @ 1.4 g/t Au and 10 metres @ 2.9 g/t Au. An aeromagnetic survey undertaken in December 2006 also highlighted previously unknown faults and structural controls which will provide targets for future drilling.

The average London Metal Exchange cash settlement price in 2007 was US$14,542/tonne, up by 66% on the previous year and the highest annual average since US-dollar denominated trading began in 1989. If we convert long-term historical pounds sterling LME prices into US dollars, then the 2007 figure is higher than in any year since 1981. However, in "real" terms (adjusting for inflation), current tin prices remain well below the all-time record levels reached in the late 1970s and early 1980s. The "real" tin price at its all time peak, when expressed in 2006 money, was over US$35,000/tonne, still more than double the current level.

Over the course of last year LME prices rose by some 40%, from about US$11,000/tonne in January to between US$16,000 - US$17,000/tonne by the end of the year. Tin prices have strengthened further in the early months of 2008. The increase in tin prices was greater than those of most other metals, mainly reflecting the closure of Indonesian independent smelters from October 2006 to May 2007 and continuing uncertainties about supplies subsequently.

LME PRICE PERFORMANCE IN 2007

Per cent price change 29/12/06 - 31/12/07



DEVELOPMENTS IN 2007

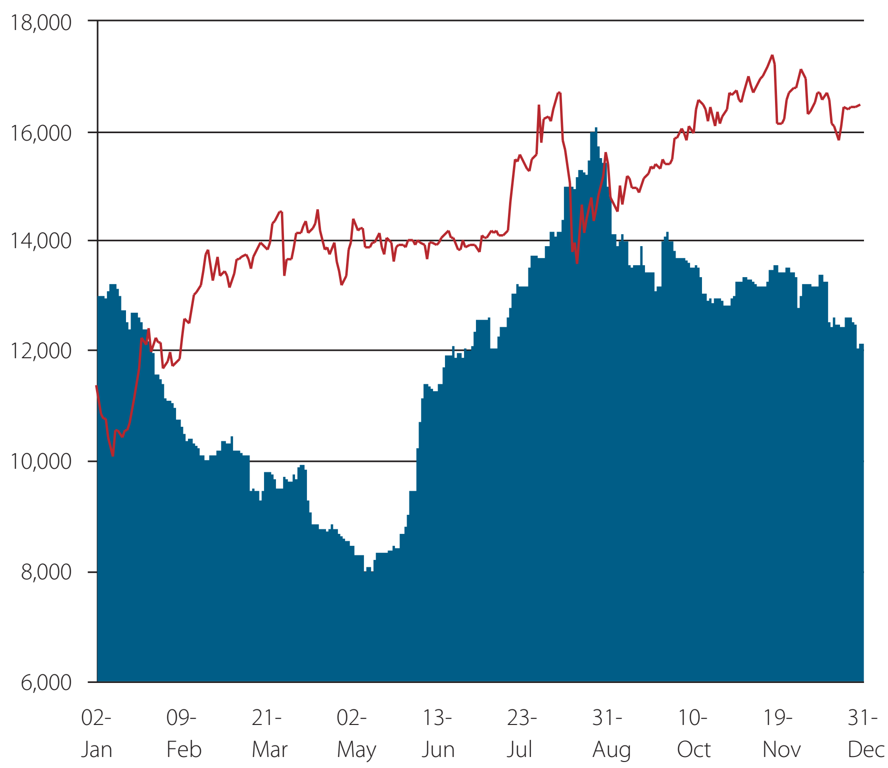
The chart below shows LME stock and price movements in 2007, which can be divided into three distinct phases:

- From January to early May, LME stocks were steadily depleted as the Indonesian small-scale smelters remained shut. The LME price moved up to around US$14,000/tonne;
- From May to August Indonesian supply returned to 2005 - 2006 volumes, as the main private smelters re-started and also shipped out old stocks. Indonesian export volumes rose to around or above 10,000 tonnes per month and LME stocks doubled. Although prices briefly touched US$17,000/tonne in mid-August, the market crashed as turbulence in financial markets resulted in investment fund selling in all metals;
- From September to the end of the year the key feature of the market was that China temporarily became a net importer of refined tin. Chinese domestic market prices (including taxes) remained between US$19,000 - US$20,000/tonne throughout the final quarter, reflecting a revival in demand from the huge electronics sector and a shortage of concentrate supply to smelters there. Chinese imports offset continuing large Indonesian exports, although by the end of the year Indonesian shipments had dropped off with the onset of the monsoon season. During this phase LME stocks declined slowly, ending the year less than a thousand tonnes lower than at the start. The decline in stocks has continued in 2008.

Preliminary data indicates that world consumption exceeded new supply (production plus US stockpile releases) by a little less than 10,000 tonnes in 2007. The market deficit was considerably less than originally forecast, partly because the initial fall in production by the Indonesian private smelters was offset by higher output by PT Timah and partly because there was no growth in world consumption in the year. Nevertheless the rise in prices over the course of the year exceeded most people's initial expectations, possibly due to buying by hedge funds in anticipation of future supply shortfalls.

LME STOCKS AND PRICES, 2007

tonnes, 3-months price in US$/tonne



World Supply/Demand Position					
'000 tonnes				Estimate	Forecast
	2004	**2005**	**2006**	**2007**	**2008**
World Refined Production	308.2	347.0	355.5	347.3	361.0
DLA Sales	9.2	7.7	9.3	8.0	7.4
World Refined Consumption	321.9	332.9	364.6	364.6	375.3
Global Market Balance	**-4.5**	**21.8**	**0.2**	**-9.3**	**-6.9**
Reported stocks:					
LME	8.2	16.7	13.0	12.1	10.0
Producers	8.7	8.4	10.1	11.0	10.0
Consumer/other	11.1	11.4	10.4	10.0	10.0
Total	**28.0**	**36.5**	**33.5**	**33.1**	**30.0**
World Stock Ratio (weeks consumption)	4.5	5.7	4.7	4.7	4.2

Data: ITRI, CRU

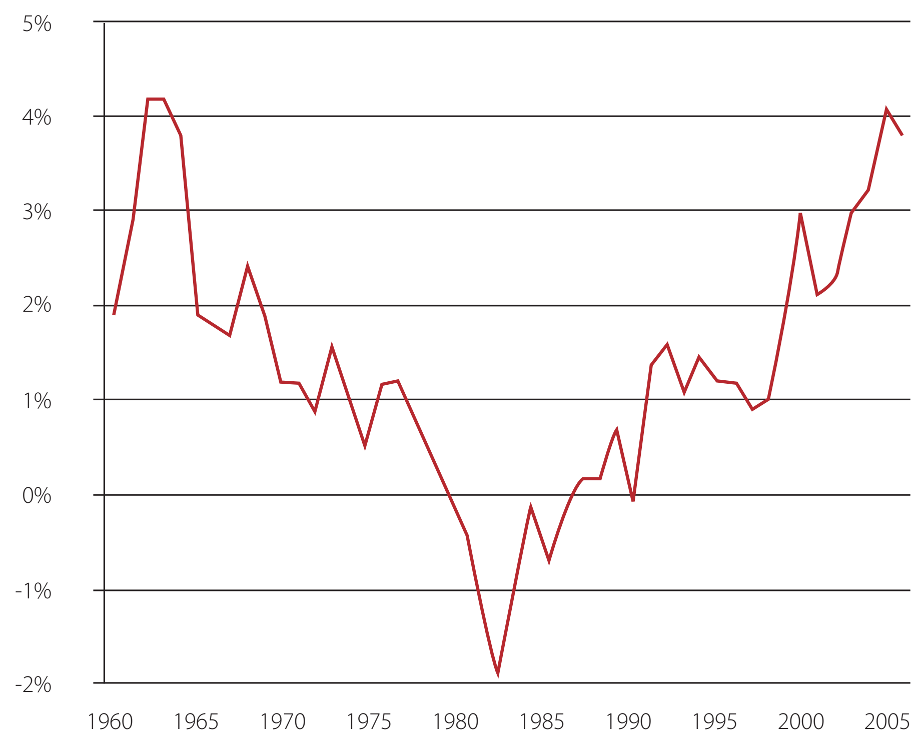
CONSUMPTION GROWTH PAUSES

World consumption of tin has grown strongly in recent years, driven mainly by the Asian electronics industry, and rose to a record level of over 360,000 tonnes in 2006. Over the last decade global usage has increased by 4% a year, a dramatic improvement on long-term history, helped by the transition to high tin content lead-free electronics solders. The results of ITRI's latest annual survey of tin usage by application are shown in the table. Solders now account for over 50% of world consumption and two-thirds of usage in Asia.

The ITRI survey and other information indicate that consumption growth temporarily halted in 2007. Trade statistics have shown sharp falls in tin imports into some of the major national markets (notably the USA and Japan) in 2007, especially in the first half, although this probably reflects reductions in stocks held by consumers and traders as well as changes in actual tin usage. It is however clear that the rapid growth in tin usage in solders, the main driver of world consumption growth in the last few years, has slowed substantially. Part of this has been due to temporary weakness in the electronics sector in the first half, although business recovered strongly later in the year, especially in China. The rush to lead-free solders has also paused, although it may be re-started in the near future when the Chinese authorities confirm the timing and scope of their regulations of hazardous elements in electronics products.

THE REVIVAL IN TIN USAGE

10 years moving average world tin consumption growth rates



World consumption of refined tin by end-use, 2006	Total	Solder	Tinplate	Chemicals	Brass & Bronze	Glass	Others
tonnes							
Asia	224,200	150,500	23,600	18,700	12,700	4,900	13,800
Americas	61,900	17,200	12,900	16,100	2,500	500	12,700
Europe	72,200	19,300	21,100	12,400	4,500	1,000	13,800
Rest of world	3,800	1,300	1,600	0	300	300	500
World	**362,100**	**188,300**	**59,200**	**47,200**	**20,000**	**6,700**	40,800
Product as % of regional total							
Asia	100%	67.1%	10.5%	8.3%	5.7%	2.2%	6.2%
Americas	100%	27.8%	20.8%	26.0%	4.0%	0.8%	20.5%
Europe	100%	26.7%	29.2%	17.2%	6.2%	1.4%	19.1%
Rest of world	100%	34.2%	42.1%	0.0%	7.9%	7.9%	13.2%
World	**100%**	**52.0%**	**16.3%**	**13.0%**	**5.5%**	**1.9%**	11.3%

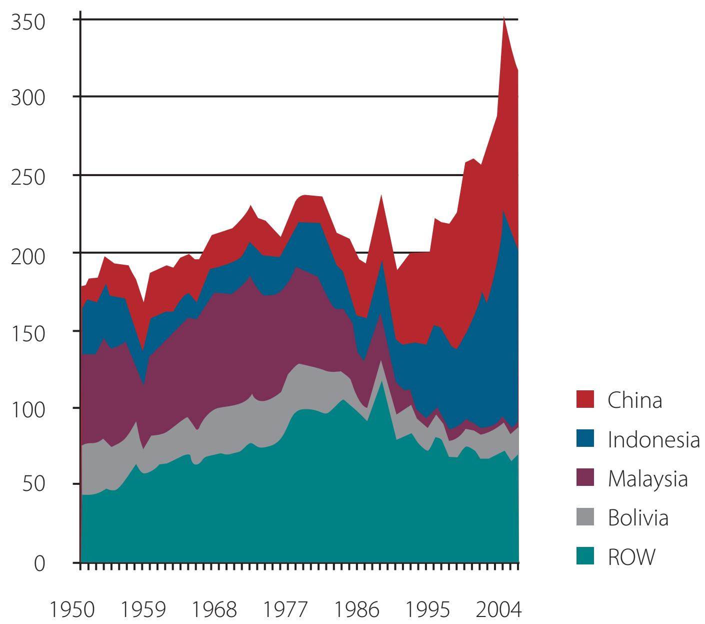
Data: ITRI

NEW INVESTMENT IN TIN MINE CAPACITY REQUIRED

World production of tin is now dominated by two countries, China and Indonesia, which between them account for over 70% of global mine output in 2007. Yunan Tin (China) and PT Timah (Indonesia) are the top two tin producers and together they accounted for almost one-third of world production of refined tin. However, it is probable that mine production in both countries peaked in 2005. They both still have very substantial reserves, but it is difficult to see them expanding or even sustaining output at recent rates. This means that additional supplies to meet future growth in consumption requirements will have to come from other parts of the world. China and Indonesia have long histories as major tin producers, but the very large shares of world production they now account for have only been achieved since the 1990s. Up to the mid 1980s Malaysia, Bolivia and, to a lesser extent, Thailand were also major producers. Indeed cumulative production from Malaysia since 1950, at some 2.4 million tonnes, still gives it number one ranking in post-World War II output.

WORLD MINE PRODUCTION OF TIN

'000 tonnes

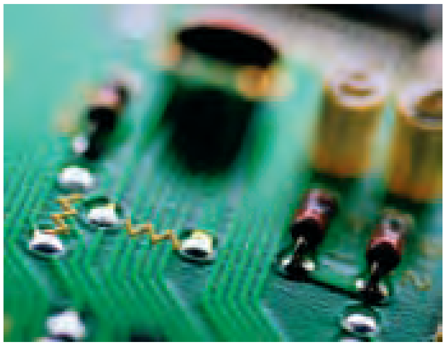


Top 10 Tin Companies (Annual production, tonnes refined tin)				
	2004	**2005**	**2006**	**2007**
Yunnan Tin (China)	36,321	42,720	52,399	61,129
PT Timah (Indonesia)	34,764	41,799	44,689	57,600
Minsur (Peru)	40,222	38,180	40,977	35,940
MSC Group:	**57,444**	**59,162**	**43,780**	**33,195**
Malaysia Smelting Corporation	33,914	37,782	22,850	25,471
PT Koba Tin	23,530	21,380	20,930	7,724
Thaisarco (Thailand)	20,651	31,539	27,828	19,826
Yunnan Chengfeng (China)	13,257	12,616	21,765	18,000
Liuzhou China Tin (China)	11,834	15,562	13,499	13,193
CM Vinto (Bolivia)	11,330	11,826	11,804	9,100
Metallo Chimique (Belgium)	8,700	7,727	8,049	8,372
Gold Bell Group (China)	na	3,469	4,696	8,000

Data: ITRI, Antaike. Figures for PT Timah and Vinto estimated

Within a few years China is likely to move permanently into being a net importer of tin, while small-scale production in Indonesia has started to decline. The US government stockpile, which had been reduced to less than 8,000 tonnes by the end of 2007, is also likely to be completely depleted within a year. Therefore there is need for increased investment in new mine capacity around the world. A new study by ITRI concludes that mine production in the rest of the world outside China and Indonesia needs to double from 85,000 tonnes to 170,000 tonnes by 2012 in order to match global requirements.

ITRI forecasts that the market is likely to see a shortfall in new supply of 7,000 tonnes in 2008, but current stock levels are adequate or more than adequate to cover this. However, by the end of the decade stocks may be reduced to historically very low levels, unless the current pipeline of committed and probable mine projects is rapidly augmented.



World consumption and production of refined tin

Consumption					Forecast
'000 tonnes	**2004**	**2005**	**2006**	**2007**	**2008**
China	82.5	100.2	116.5	132.5	142.0
Japan	33.1	33.2	38.5	33.4	34.0
Other Asia	60.9	67.1	68.8	65.5	68.0
USA	53.9	42.1	47.0	39.4	36.0
Other Americas	17.6	16.8	17.9	18.8	19.0
Europe	69.4	69.2	72.1	71.0	72.0
Other	4.5	4.3	3.8	4.0	4.3
Total World	**321.9**	**332.9**	**364.6**	**364.6**	**375.3**
Production					
'000 tonnes	**2004**	**2005**	**2006**	**2007**	**2008**
China	108.0	117.0	131.0	144.0	145.0
Indonesia	63.3	83.1	83.6	80.2	90.0
Malaysia	33.9	37.8	22.9	25.5	22.0
Thailand	20.7	31.5	27.8	19.8	18.0
Bolivia	13.0	13.5	13.5	10.8	13.0
Brazil	11.5	9.0	8.8	10.2	12.0
Peru	40.2	38.2	41.0	35.9	38.0
Belgium	8.7	7.7	8.0	8.4	9.0
Russia	3.6	3.3	4.0	3.5	4.0
Other	5.3	5.8	14.9	9.0	10.0
Total World	**308.2**	**347.0**	**355.5**	**347.3**	**361.0**

Data: ITRI, CRU, WBMS

CORPORATE SOCIAL RESPONSIBILITY

At MSC Group, we strive to make a difference in the communities in which we live and work. Being a responsible corporate citizen, as we carry on creating opportunities to increase shareholder value, we foster sustainable development in the places and countries where we operate. Equally important, we also strive to earn the trust of all stakeholders, including our employees, local communities, government authorities, customers, suppliers, bankers and business associates, with whom we interact in our pursuit of sustainable development of mineral resources.

The World Bank has a definition for Corporate Social Responsibility (CSR), viz:
"Corporate Social Responsibility is the commitment of business to contribute to sustainable economic development – working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for business and good for development."

This aptly defines the MSC Group's approach to CSR.

The MSC Group currently emphasizes CSR in four main areas, namely:

Human Resources

We are committed to developing the full potential of our employees, giving due respect to and recognizing the value of each employee, observing fundamental human rights, safety and non-discrimination in the workplace. We compensate our employees fairly for their contributions, provide adequate welfare and offer professional development and training opportunities.

Local Communities

We consider all factors, such as social, cultural, environmental, governmental and economic, when evaluating projects. On the ground, we interact with local communities, government authorities, NGOs, international agencies and related interest groups to facilitate long-term beneficial resource development. We encourage building partnerships in business ventures that contribute to enhancing local capacity and also provide financial support through donations, budgets and policies.

Environment

We take responsibility to protect, rehabilitate and enhance the environment on the sites that we operate. We adopt best industry practice in our environmental stewardship and apply state-of-the-art environmental controls to achieve this goal. We have in place stringent management programs to ensure environmental impacts are being adequately addressed, controls are in place to ensure compliance with existing laws and regulations, and activities are supported by adequate resources and financial provisions, all these to ensure the environment is protected for future generations and the sustainability of local communities are safeguarded.

Safety and Health

We are committed to perform every job in a safe and healthy manner. Company safety and occupational health management policies are in place for the benefit of the staff and workers. Wearing of safety gear and protective equipment is the rule rather than the norm. All necessary training, equipment and resources are provided to enable the workers to work safely. Our goal is to have zero accident in every workplace.

CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

The MSC Group's initiatives in fostering CSR will be an ongoing commitment and some of the activities the Group has undertaken in this regard are:

Human Resources

- Undergraduate attachments
- Graduate training schemes
- Sponsorship of sporting events
- Treasure hunts
- Annual dinners
- Family day and company social events
- National day celebrations
- Seminars and conferences
- Upgrading of employee living quarters

Local Communities

- Maintenance of roads and bridges
- Medical assistance for communities living in certain mine neighbourhood
- Scholarships for schools
- Skills development for local youths
- Aquaculture
- Animal farming
- Water supply
- Repairs of places of worship
- Fire fighting services
- Donations to charitable organizations
- Blood donations

Safety and Health

- Full time medical doctor stationed at certain sites
- Medical check up for certain workers
- Ongoing improvements to workplace facilities and safety
- Installation of auxiliary air and dust control equipments
- Close monitoring of safety records
- Anti-drug programs
- Annual safety campaigns

Environment

- Rehabilitation and revegetation of ex-mined out areas
- Rehabilitation of old waste dumps
- Rehabilitation of dam spillways to improve effluent discharge
- Control of waste oil
- Control of hazardous waste materials
- Flood mitigation measures

We set high standards for all of our operations and strive to meet those standards by adopting the best industry practice. In the process, we can see some of our operations gaining recognition through ISO certification, such as ISO 9001, ISO 14001 and OHSAS 18001. We believe that only by achieving the highest standards, we would be able to contribute meaningfully to sustainable development of the world's mineral resources.

The Board of Directors is pleased to submit the following statement which describes corporate governance practices in place for the financial year ended 31 December 2007.

The pillars of corporate governance, namely transparency, accountability and integrity, are enshrined in the Malaysian Code on Corporate Governance (the "Code"), revised 1 October 2007, and the Listing Requirements of Bursa Malaysia. These principles were what Board strived to uphold throughout the financial year.

STATEMENT OF PRINCIPLES

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of:

A. Board of Directors;
B. Directors' Remuneration;
C. Shareholders; and
D. Accountability and Audit.

A. BOARD OF DIRECTORS

Board Responsibilities

The Board is aware of its responsibility to provide direction and guidance in overseeing the affairs of the Company and its subsidiaries (the "Group"). To fulfil its responsibility, the Board sets the strategic direction of the Group, establishes goals and monitors accomplishment of these goals, identifies principal risks faced by the Company and its subsidiaries and reviews the adequacy and integrity of internal control systems.

Meetings

The Board convenes at least four (4) times a year at quarterly intervals, with additional meetings called in response to urgent issues or when crucial decisions are warranted. During the financial year ended 31 December 2007, the Board met on seven (7) occasions, where it considered, amongst others, financial results, investment decisions, appointment and reappointment of Directors and the overall business direction of the Group.

Board papers, if necessary, are circulated to the Directors prior to each meeting of the Board or its committees. Deliberations are recorded with the minutes thereof confirmed by the Chairman of the meeting.

Details of Directors' attendances at meetings of the Board, Board Executive Committee ("EXCO") and Audit Committee during the financial year under review are as follows:

Director	Board	EXCO	Audit Committee
Mr Norman Ip Ka Cheung (appointed as Chairman of the Board on 23 April 2007)	7/7	7/7	7/7
Mr Choi Siew Hong	7/7	7/7	7/7
Dato' Dr Mohd Ajib Anuar	7/7	7/7	Not applicable
En Razman Ariffin	7/7	5/5	3/3
En Abu Bakar Ibrahim (appointed on 1 June 2007)	3/3	Not applicable	Not applicable
Jeneral (B) Tun Ibrahim bin Datuk Ismail (retired on 23 April 2007)	3/3	2/2	Not applicable
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii (resigned on 9 May 2007)	4/4	Not applicable	3/3

A. BOARD OF DIRECTORS (CONT'D)

Board Committees

Four committees function as proxies of the Board in carrying its core functions, namely the Executive Committee, an Audit Committee, a Remuneration Committee and a Nominating Committee. These board committees, with their own terms of reference, deliberate on matters particular to their functions and the Chairmen of the committees report to the Board the outcome of such deliberations.

Board Balance

At the date of this statement, the Board consists of five members, comprising two Independent Non-Executive Directors, one Executive Director and two Non-Executive Directors.

Each Director brings to the Board an area of expertise, e.g. skills in finance, operations, governmental affairs, etc., and the Directors collectively provide the Board with the ability to guide the Group on an effective basis.

A summary of each director's background is presented on pages 10 to 11 of this Annual Report.

A clearly accepted division of responsibility is demonstrated by the separate roles of the Chairman, Mr Norman Ip Ka Cheung and the Group Chief Executive Officer, Dato' Dr Mohd Ajib Anuar. The Company's Board Charter has formalised and assigned different responsibilities to both the Chairman and the Group Chief Executive Officer, with the Chairman running the Board and ensuring all Directors are provided with information necessary for decision making and the Group Chief Executive Officer overseeing executive management of the Group's affairs and implementing strategies and policies adopted by the Board.

Pursuant to Best Practice AA VII of the Code, the Board has designated Mr Choi Siew Hong as the Senior Independent Non-Executive Director of the Board to whom concerns of Directors, shareholders, management and others may be conveyed.

The Board is of the view that its current composition fairly reflects the investments of shareholders in the Company.

Supply of Information

The Directors receive information through Board papers which are furnished to them prior to the meetings. This practice enables the Directors to seek clarification and explanation, if necessary, from the relevant Management personnel or fellow Directors.

Each Director is also allowed unhindered access to the advice and services of the Company Secretary, of whom the Board believes to be competent in the performance of her duties. The Company's Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

As for obtaining independent professional advice, the Board as a whole will determine, whether as a full Board or in the Director's individual capacity, to take this measure where necessary and under appropriate circumstances in the advancement of its duties. Such advice, if obtained, will be at the Company's expense. Nevertheless, where necessary and under appropriate circumstances, any Director may do so with the prior consent and approval of the Chairman of the Board.

Appointments to the Board

Nominating Committee

The Nominating Committee, during the financial year ended 31 December 2007, comprised the following members:

Director		Meetings
Mr Choi Siew Hong	- Chairman, Independent Non-Executive Director	5/5
Mr Norman Ip Ka Cheung (appointed on 21 February 2007)	- Non-Independent Non-Executive Director	5/5
En Razman Ariffin	- Independent Non-Executive Director	5/5

A. BOARD OF DIRECTORS (CONT'D)

Nominating Committee (cont'd)

The Nominating Committee's mandate, expressed through its terms of reference, is to bring to the Board recommendations on the appointment of new Directors. The Nominating Committee also analyses the structure, size and composition of the Board vis-à-vis the Company's requirement and considers the issue of succession planning for senior Board members. The Nominating Committee has also assessed the effectiveness of the Board, Board Committees and the contribution of each individual Director.

Appointment Process

The Nominating Committee meets annually with additional meetings convened whenever the need arises (five meetings were held during the year in review). During the year, the Committee met to deliberate on the retirement by rotation of Directors and their eligibility for re-election at the Company's annual general meeting. The Committee had also recommended for the Board's approval the appointment of a Director after due evaluation and upon satisfaction of all legal and regulatory obligations.

The Nominating Committee is of the view that the current Board composition imparts the required mix of skills, competencies and experience for the Board to discharge its duties effectively.

Directors' Training

The Board, through the Nominating Committee, ensures that recruits to the Board are individuals of calibre, with the necessary experience and knowledge to meet the expectations of the Board as a Director of the Company.

During the financial year ended 31 December 2007, site visits were made by the Directors to bolster their understanding of the nature and extent of the Group's operations. Where necessary, the Directors would attend training programs run by service providers to enhance their skills and knowledge.

Details of training courses attended by members of the Audit Committee during the financial year under review are as follows:

Director		Nature of course
Mr Choi Siew Hong	Chairman, Independent Non-Executive Director	• Improving Board Directors' performance, leadership and governance • Briefing on MASB ED51 - Insurance Contract • BNM Governor's Address on the Malaysian Economy & Panel Discussion • Health Insurance • Changes to the Malaysian Code on Corporate Governance
Mr Norman Ip Ka Cheung	Non-Executive Director	• Improving Board Directors' performance, leadership and governance • Corporate Governance Forum on How to extend the Comfort Zone of Directors • Changes to the Malaysian Code on Corporate Governance

A. BOARD OF DIRECTORS (CONT'D)

Directors' Training (cont'd)

Director		Nature of course
En Razman Ariffin (appointed on 1 August 2007)	Independent Non-Executive Director	• Improving Board Directors' performance, leadership and governance • SGX Listed Companies' Development Programme • Understanding the Regulatory Environment in Singapore • Workshop on the Malaysian National Mineral Policy • Changes to the Malaysian Code on Corporate Governance

Re-election to the Board

The Company's Articles of Association require all Directors of the Company to be subject to retirement, and at least one-third of the Board shall retire by rotation at each Annual General Meeting of the Company, providing an avenue to the shareholders to renew their mandate. The Directors to retire in each year are those who have been longest in office since their appointment or reappointment.

Directors over seventy (70) years of age are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Executive Committee (EXCO)

The EXCO focuses on executive management and optimising operational performance of the Group. The Committee, during the financial year ended 31 December 2007, comprised the following members:

Director		Meetings
Mr Norman Ip Ka Cheung	- Chairman, Non-Executive Director	7/7
Mr Choi Siew Hong	- Independent Non-Executive Director	7/7
Dato' Dr Mohd Ajib Anuar	- Executive Director	7/7
En Razman Ariffin (appointed on 21 February 2007)	- Independent Non-Executive Director	5/5
Jeneral (B) Tun Ibrahim bin Datuk Ismail (retired on 23 April 2007)	- Non-Executive Director	2/2

The EXCO, which met seven times during the financial year ended 31 December 2007, examined results recorded by the Company and its subsidiaries whilst considering options to improve performance of the Group's operational units. In addition, strategic ventures were evaluated by the EXCO which in turn recommended (or otherwise) these ventures to the Board for approval and adoption.

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee, during the financial year ended 31 December 2007, comprised the following members:

Director		Meetings
Mr Norman Ip Ka Cheung	- Chairman, Non-Executive Director	1/1
Mr Choi Siew Hong	- Independent Non-Executive Director	1/1
Dato' Dr Mohd Ajib Anuar	- Executive Director	1/1

The Remuneration Committee's main responsibility is to review and recommend an appropriate remuneration framework for Executive Director and senior management staff, including their salary packages.

In deciding on an appropriate framework and the corresponding levels of remuneration, the Committee considered views of consultants and evaluated comparative data from companies in a similar industry. The Executive Director, as a member of the Committee, did not participate in any way in determining his individual remuneration. Similarly, whilst the Board, as a whole, determines the remuneration of Non-Executive Director, the individual Director concerned abstained from the decision in respect of his remuneration. The Remuneration Committee is of the view that a remuneration package necessary to attract, retain and motivate Directors of the calibre required to oversee or manage the business of the Company is necessary.

The Company remunerates each Director an annual fee (subject to approval by shareholders at the Annual General Meeting), and where applicable, responsibility and attendance fees.

Details of the nature and amount of each major element of the remuneration of Directors of the Company, for the financial year ended 31 December 2007, were as follows:

Category	Fees (RM'000)	Salaries and Other Emoluments (RM'000)
*Executive Director	20	87
Non-Executive Directors	374	–

The number of Directors whose remuneration fell within the following bands is shown below:

Range Of Remuneration	Executive Director	Non-Executive Directors
RM101,000 to RM150,000	1	–
RM50,001 to RM100,000	–	3
RM50,000 and below	–	4

C. SHAREHOLDERS

The primary channels of communication to the Company's stakeholders are the holding of general meetings, announcements to the stock exchange, publishing of annual report and ad-hoc communication, as necessary.

The quarterly and full financial results and the annual report of the Company are available on the website of Bursa Malaysia.

* In addition to the above fees, the GCEO/Executive Director received his remuneration from Straits Resource Management Private Limited (SRM) which provides management, technical and financial services to the Company.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Audit Committee, in discharging its financial oversight role, reviews the financial reporting process and the integrity and quality of information produced by the reporting process.

Financial results, analysis thereof and outlook are communicated to stakeholders by way of audited financial statements and Chairman's Statement on an annual basis, and by quarterly announcements to Bursa Malaysia on a three-monthly basis.

Directors' Responsibility Statement in respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a responsibility under the Companies (Amendment) Act 2007 to have in place a system of internal control that will provide reasonable assurance that:

- assets of the Company are safeguarded against loss from unauthorised use or disposition; and
- all transactions are properly authorised and that they are recorded as necessary to enable the preparation of true and fair income statements and balance sheets and to give a proper account of the assets.

State of Internal Controls

The Statement on Internal Control furnished on pages 43 to 44 of this Annual Report provides an overview of the state of internal controls within the Group during the financial year ended 31 December 2007.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 39 to 40 of this Annual Report.

A summary of Audit Committee activities during the financial year ended 31 December 2007, including the evaluation of the audit process, is set out in the Audit Committee Report on pages 41 and 42 of this Annual Report.

STATEMENT OF COMPLIANCE

The Group has complied, throughout the financial year ended 31 December 2007, with all the Best Practices of corporate governance set out in Part 2 of the Code.

Date: 12 March 2008

TERMS OF REFERENCE

The Audit Committee (the "Committee") was established to act as a Committee of the Board of Directors (the "Board") to fulfill its fiduciary responsibilities. The authority, functions and duties of the Committee shall be extended to Malaysia Smelting Corporation Berhad (the "Company") and its subsidiary companies (the "Group").

1. Membership

The present members of the Committee comprise:
- Mr Choi Siew Hong, Chairman (Independent Non-Executive Director)
- Mr Norman Ip Ka Cheung (Non-Executive Director)
- En Razman Ariffin (Independent Non-Executive Director)

2. Composition

The Board shall elect and appoint Committee members from amongst its members, comprising no fewer than three (3) Directors, the majority of whom shall be Independent Non-Executive Directors. In this respect, the Board adopts the definition of ìindependent directorî under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), which stipulate that at least one member of the Committee shall:

- be a member of the Malaysian Institute of Accountants ("MIA");
- if he is not a member of MIA, he must have at least three (3) years of working experience, and:
  - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
  - he must be a member of the associations of accountants specified in Part II of the Accountants Act, 1967;
- be a holder of a degree/masters/doctorate in accounting or finance and has at least 3 years' post qualification experience in accounting or finance; or
- have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

3. Meetings

Meetings shall be conducted at least four (4) times annually, or more frequently, as circumstances dictate.

In order to form a quorum for a meeting, the majority of members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee. The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated at least one (1) week before each meeting to members of the Committee. The minutes of all Committee meetings shall be circulated to members of the Board. The Chairman shall submit an annual report to the Board summarising the Committee's activities during the financial year and the related significant results and findings.

The Committee shall meet at least annually with the External Auditors without the presence of any executive Board member. In addition, Management, the Internal Auditor and the External Auditors may request for a private session with the Committee to discuss any matter of concern.

4. Authority

The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and employees are directed to co-operate with any request made by the Committee. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice if it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia, the Committee shall promptly report such matter to Bursa Malaysia.

5. Responsibilities and Duties

In fulfilling its primary objective, the Committee shall undertake the following responsibilities and duties:

- Review the Audit Committee's Terms of Reference as conditions dictate;
- Review with the External Auditors, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Appoint Internal Auditors who will report functionally to the Audit Committee and review their performance on an annual basis;
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified;
- Review major audit findings and the Management's response during the financial year with Management, External Auditors and Internal Auditors, including the status of previous audit recommendations;
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- Review the independence and objectivity of the External Auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money;
- Review the appointment and performance of External Auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- Review the Internal Audit Charter, budget and staffing of the Internal Audit Department;
- Review the adequacy and integrity, including effectiveness, of internal control systems, management information system, and the Internal Auditors' and/or External Auditors' evaluation of the said systems;
- Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- Review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
  - changes in or implementation of major accounting policy;
  - significant or unusual events; and
  - compliance with accounting standards and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, the Listing Requirements of Bursa Malaysia and other legislative and reporting requirements;
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on Management's integrity;
- Prepare reports, at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities; and
- Any other activities, as authorised by the Board.

AUDIT COMMITTEE REPORT

Membership

The Directors who have served as members of the Audit Committee (the "Committee") during the financial year ended 31 December 2007 and as at the date of this report are:

Director	
Mr Choi Siew Hong	Chairman, Independent Non-Executive Director
Mr Norman Ip Ka Cheung	Non-Executive Director (Fellow of the Institute of Chartered Accountants, England and Wales)
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii (resigned on 9 May 2007)	Independent Non-Executive Director (Fellow of the Institute of Chartered Accountants, England and Wales and member of Malaysian Institute of Accountants)
En Razman Ariffin (appointed on 1 August 2007)	Independent Non-Executive Director

Terms of Reference

The Audit Committee was established on 30 August 1994 to act as a Committee of the Board of Directors, with the terms of reference set out on pages 39 to 40 of this Annual Report.

Meetings

The Committee held seven meetings during the year ended 31 December 2007. Details of the members' attendances are noted in the Statement on Corporate Governance on page 33 of this Annual Report. Meetings were carried out in accordance with agendas which were distributed to members with sufficient notification.

The Company Secretary, as the secretary of the Committee, was present at all meetings. Representatives of the External Auditors, Messrs Ernst & Young, the Group General Manager, Internal Audit, as well as the Group Chief Executive Officer, Group Chief Operating Officer, Group Chief Financial Officer, and Group Senior General Manager, Commercial also attended the meetings, where appropriate, upon invitation of the Committee.

Summary of activities of the Committee during the financial year under review

The Committee carried out its duties in accordance with its terms of reference during the financial year 31 December 2007, as follows:

- Reviewed with the External Auditors:
  (a) Scope of work and annual audit plan;
  (b) The audited financial statements of the Group and the Company prior to submission to the Board for consideration and approval;
  (c) Their management letter, including Management's response relating to the issues highlighted; and
  (d) Without the presence of Management, the extent of co-operation of Management in providing required information, explanation and clarification and whether there had been any problems impinging on their independence and objectivity in the course of their audit;
- Reviewed with the Group Chief Executive Officer, the Group Chief Financial Officer and other Senior Management staff the unaudited quarterly financial statements before submission to the Board for consideration and approval for release to Bursa Malaysia Securities Berhad;
- Reviewed the Group Internal Audit function's manpower requirements, audit programmes for the financial year ended 31 December 2007, and performed an annual performance assessment of the Group Internal Audit function;
- Reviewed findings in the internal audit reports, including corrective actions taken or proposed to be taken by Management;
- Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group; and
- Considered and recommended to the Board audit fees payable to the External Auditors and the reappointment of External Auditors for the Board's submission to shareholders for approval at the Annual General Meeting.

Group Internal Audit Function

The primary role of the Group Internal Audit function, which is independent of the activities it audits, is to perform regular review and appraisal of the effectiveness of risk management, internal control and governance processes of the Company and the Group. Accordingly, activities carried out include risk assessment and internal audits addressing both financial and operational aspects.

During the financial year ended 31 December 2007, the Group Internal Audit function provided the Audit Committee with reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

Further details of activities undertaken by the Group Internal Audit function are set out in the Statement on Internal Control on pages 43 to 44 of this Annual Report.

Date: 12 March 2008

STATEMENT ON INTERNAL CONTROL

Introduction

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a group". The Board, committed to maintaining a sound system of internal control in the Group, is pleased to provide the following statement outlining the nature and scope of internal control of the Group during the financial year ended 31 December 2007.

Board Responsibility

The Board recognises its responsibility over the Group's system of internal control, which includes the establishment of an appropriate control environment (the "tone from the top") and reviewing the adequacy and integrity of these systems on a regular basis.

Nevertheless, inherent limitations in any system of internal control preclude absolute assurance against material misstatement or loss, as the system is designed to manage, rather than eliminate, risk of failure.

The Board has established a process for identifying, evaluating and managing principal risks faced by the Group. This process was in place throughout the financial year under review. The Board regularly reviews this process in conformity with the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance").

Although the Board are the ultimate owners of risk assessment process and internal control systems, Management has been tasked with the implementation of the risk management and internal control systems, within the framework adopted by the Board.

Enterprise Risk Management Framework

The Board affirms the contents of the Internal Control Guidance and through the Audit Committee, identifies principal risks faced by significant operating entities of the Group, and evaluates the systems in place to manage these risks. The risk management framework was in fact extended to pre-operational units, such as PT MSC Indonesia, during the financial year under review.

The outworking of the Group's risk management framework can be demonstrated by the following practices:

- Establishment of a risk management structure, which depicts the lines of reporting and responsibility at the Board, Audit Committee and Management levels. A specific grouping of management personnel, i.e. the Group Risk Management Steering Committee is responsible to enhance risk oversight and management, one way of which is to integrate risk management issues into quarterly performance reporting;
- Identification of principal risks (present and potential) faced by operating units in the Group and management plans to mitigate or manage these risks. The identification process is driven by the Audit Committee with assistance from Group Internal Audit function and external consultants. For each principal risk, the assessment process considers the potential impact and likelihood of occurrence, effectiveness of controls in place (if any), and action plans being taken to manage those risks to the desired level. A database of these risks and controls has been created to produce a risk register and individual risk profiles for the major business units;
- Determination of risk appetite (qualitative and quantitative) for major business units in the Group;
- Issuance of a Risk Management Policy and Guidelines Document for the Group. The document offers practical guidance to all employees on risk management issues; and
- Preparation of action plans to address risk and control issues on an ongoing basis.

The Board considers that the enterprise risk management framework is robust, but will still subject the framework to continuous improvement, taking into consideration better practices and the changing business environment, where appropriate.

Internal Audit Function

An independent Group Internal Audit function is in place, providing the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance systems.

The Audit Committee receives reports from the Group Internal Audit function and considers Management response to issues raised in the reports, before making recommendations to the Board to fortify the Group's internal control and governance systems. Remedial actions taken by Management in response to internal control deficiencies are monitored by the Group Internal Audit function.

Apart from conducting risk-based internal audits for the Company and its subsidiaries, the Group Internal Audit function also performs routine and financial-based audits as part of its programme to cover strategic, operational and financial aspects of Group operations.

Other Risk and Control Processes

The Board considers the following as complements to the goals embraced by the risk management process and internal audit activities:

- an organisational structure with formally defined lines of responsibility and delegation of authority;
- a hierarchical reporting process which provides a documented and auditable trail of accountability;
- an updated Management Staff Handbook and Collective Agreement emphasising policies on health and safety, training and development, equality of opportunity, staff performance and repercussions of serious misconduct; and
- a chart of authority prescribing limits of authority.

Weaknesses In Internal Controls That Result In Material Losses

There were no material losses during the financial year ended 31 December 2007 as a result of weaknesses in internal control. Nevertheless, Management remains vigilant and continues to take measures to strengthen the control environment.

Date: 12 March 2008

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sales and delivery of refined tin metal and by-products. The principal activities of the subsidiaries and associates are set out in Notes 13 and 14 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	**78,216**	**34,718**
Attributable to:		
Equity holders of the Company	**67,441**	**34,718**
Minority interests	**10,775**	**–**
	78,216	**34,718**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2006 were as follows:

	RM'000
In respect of the financial year ended 31 December 2006 as reported in the directors' report of that year:	
Final dividend of 12 sen	
less tax at 27 % per share paid on 28 May 2007	6,570
In respect of the financial year ended 31 December 2007:	
Interim dividend of 8 sen less tax at 27% per share	
paid on 30 October 2007	4,380

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company to be held on 22 April 2008, the directors recommend the payment of a final dividend of 10 sen per ordinary share tax exempt and 10 sen per ordinary share less 26% tax, totalling RM13.05 million net for the financial year ended 31 December 2007. This dividend will be paid on 28 May 2008 to members registered on the Company's register at the close of business at 5.00 pm on 12 May 2008.

The financial statements for the current financial year do not reflect this proposed dividend. This will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

SHARE CAPITAL

No shares were issued by the Company and no option has been granted to any person or party to acquire shares in the Company during the year.

DIRECTORS

The name of the directors of the Company in office since the date of the last report and at the date of this report are:

Mr. Norman Ip Ka Cheung	(Appointed as Chairman on 23/04/2007)
Dato' Dr Mohd. Ajib Anuar	(Executive Director)
Mr. Choi Siew Hong	
En. Razman Ariffin	
Ms. Victoria Ko Miu Ha	(Appointed on 02/01/2008)
Jeneral (B) Tun Ibrahim bin Datuk Ismail	(Retired on 23/04/2007)
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii	(Resigned on 09/05/2007)
En. Abu Bakar Ibrahim	(Appointed on 01/06/2007 & resigned on 31/12/2007)

In accordance with Article 101 of the Articles of Association of the Company, the director retiring by rotation this year is Mr. Norman Ip Ka Cheung and, being eligible offers himself for re-election.

In accordance with Article 106 of the Articles of Association of the Company, Ms. Victoria Ko Miu Ha retires at the forthcoming Annual General Meeting and, being eligible offers herself for re-election.

Mr. Choi Siew Hong, being over seventy years of age, retires in accordance with Section 129(2) of the Companies Act, 1965 and offers himself for reappointment in accordance with Section 129(6) of the said Act to hold office until the conclusion of the next Annual General Meeting.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company as disclosed in Note 3(ii) to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the holding company, the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of SGD1 each			
	1 January 2007	**Bought**	**Sold**	**31 December 2007**
Holding Company				
Direct interest				
Mr. Norman Ip Ka Cheung	23,640	–	–	23,640
En. Razman Ariffin	1,200	–	–	1,200
Indirect interest				
Mr. Norman Ip Ka Cheung	25,644	–	–	25,644

	Number of ordinary shares of RM1 each			
	1 January 2007	**Bought**	**Sold**	**31 December 2007**
The Company				
Direct interest				
Dato' Dr Mohd. Ajib Anuar	800,000	–	–	800,000
Mr. Choi Siew Hong	85,000	–	–	85,000
Mr. Norman Ip Ka Cheung	250,000	–	–	250,000
En. Razman Ariffin	67,000	–	–	67,000

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write-off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) other than the contingent liabilities as disclosed in Note 29 to the financial statements, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 33 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 34 to the financial statements.

ULTIMATE HOLDING COMPANY

The immediate and ultimate holding company of the Company is The Straits Trading Company Limited, a public limited liability company listed on the Singapore Stock Exchange and produces financial statements available for public use.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to accept reappointment as auditors and a resolution proposing their appointment will be submitted at the Annual General Meeting.

Signed on behalf of the board in accordance with a resolution of the directors dated 12 March 2008.

NORMAN IP KA CHEUNG **DATO' DR MOHD. AJIB ANUAR**

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, NORMAN IP KA CHEUNG and DATO' DR MOHD AJIB ANUAR, being two of the directors of MALAYSIA SMELTING CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 52 to 111 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the board in accordance with a resolution of the directors dated 12 March 2008.

NORMAN IP KA CHEUNG **DATO' DR MOHD. AJIB ANUAR**

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, YAP FOOK PING, being the officer primarily responsible for the financial management of MALAYSIA SMELTING CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 52 to 111 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed YAP FOOK PING at
Georgetown in the state of Penang
on 12 March 2008.

YAP FOOK PING

Before me,

Commissioner for Oaths
Penang

ERNST & YOUNG
(Firm No: AF: 0039)

Chartered Accountants
22nd Floor, MWE Plaza
No. 8 Lebuh Farquhar
10200 Penang, Malaysia

Mail Address:
P.O. Box 148
10710 Penang, Malaysia

Phone: (04) 2641878
Fax: (04) 2621812
www.ey.com

REPORT OF THE AUDITORS TO THE MEMBERS OF
MALAYSIA SMELTING CORPORATION BERHAD
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 52 to 111. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF : 0039
Chartered Accountants

LIM FOO CHEW
1748/01/10 (J)
Partner

Penang, Malaysia
Date: 12 March 2008

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Revenue	3	**1,913,143**	1,637,704	**1,896,790**	1,637,322
Profit from operations	3	**134,896**	86,770	**56,089**	60,414
Finance costs	4	**(14,620)**	(21,163)	**(14,620)**	(16,144)
Share of profit/(loss) of associates		**719**	(927)	**–**	–
Profit before tax		**120,995**	64,680	**41,469**	44,270
Taxation	6	**(42,779)**	(20,212)	**(6,751)**	(10,170)
Profit for the year		**78,216**	44,468	**34,718**	34,100
Attributable to:					
Equity holders of the Company		**67,441**	41,510	**34,718**	34,100
Minority interests		**10,775**	2,958	**–**	–
		78,216	44,468	**34,718**	34,100
Earnings per share attributable to equity holders of the Company - (sen)					
- Basic, for profit for the year	7	**89.9**	55.3		
Net dividends paid per share					
- (sen)	8	**14.6**	21.6	**14.6**	21.6

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS
AS AT 31 DECEMBER 2007

		Group		Company	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	9	**94,497**	95,568	**9,800**	8,229
Prepaid land lease payments	10	**1,354**	1,472	**–**	–
Base inventory	11	**3,000**	3,000	**3,000**	3,000
Intangible assets	12	**7,127**	6,944	**–**	–
Investment in subsidiaries	13	**–**	–	**18,366**	18,366
Investment in associates	14	**28,464**	18,419	**22,210**	13,253
Other investments	15	**67,300**	249	**67,300**	249
Other assets	16	**30,062**	16,509	**–**	–
Deferred tax assets	27	**24,383**	14,955	**1,439**	58
		256,187	157,116	**122,115**	43,155
CURRENT ASSETS					
Inventories	17	**308,473**	300,977	**108,416**	96,947
Trade and other receivables	18	**223,274**	152,479	**364,728**	331,127
Tax recoverable		**1,544**	14,852	**1,543**	–
Cash, bank balances and deposits	19	**51,930**	99,953	**27,655**	81,366
		585,221	568,261	**502,342**	509,440
Non-current asset classified as held for sale	20	**–**	4,660	**–**	4,660
		585,221	572,921	**502,342**	514,100
CURRENT LIABILITIES					
Provisions for liabilities	21	**2,906**	3,087	**614**	600
Borrowings	22	**333,934**	283,281	**333,934**	283,281
Trade and other payables	23	**55,794**	69,402	**22,655**	38,493
Current tax payable		**15,037**	2,006	**–**	395
		407,671	357,776	**357,203**	322,769
NET CURRENT ASSETS		**177,550**	215,145	**145,139**	191,331
		433,737	372,261	**267,254**	234,486
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	24	**75,000**	75,000	**75,000**	75,000
Other reserves	25	**(732)**	7,981	**3,443**	3,443
Retained earnings	26	**275,859**	219,368	**179,811**	156,043
		350,127	302,349	**258,254**	234,486
Minority interests		**45,416**	36,900	**–**	–
Total Equity		**395,543**	339,249	**258,254**	234,486
NON-CURRENT LIABILITIES					
Provisions for liabilities	21	**27,179**	31,111	**–**	–
Deferred tax liabilities	27	**2,015**	1,901	**–**	–
Borrowings	22	**9,000**	–	**9,000**	–
		38,194	33,012	**9,000**	–
		433,737	372,261	**267,254**	234,486

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

Group	Note	← Attributable to equity holders of the Company → Share Capital RM'000	Non-Distributable Other Reserves (Note 25) RM'000	Distributable Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 January 2006		75,000	15,036	194,058	284,094	36,684	320,778
Foreign currency translation representing net losses not recognised in the income statement		–	(7,055)	–	(7,055)	(2,742)	(9,797)
Net expense recognised directly in equity		–	(7,055)	–	(7,055)	(2,742)	(9,797)
Profit for the year		–	–	41,510	41,510	2,958	44,468
Total recognised income and expense for the year		–	(7,055)	41,510	34,455	216	34,671
Dividends	8	–	–	(16,200)	(16,200)	–	(16,200)
At 31 December 2006		75,000	7,981	219,368	302,349	36,900	339,249
At 1 January 2007		**75,000**	**7,981**	**219,368**	**302,349**	**36,900**	**339,249**
Acquisition of a subsidiary	13	**–**	**–**	**–**	**–**	**274**	**274**
Foreign currency translation representing net losses not recognised in the income statement		**–**	**(8,713)**	**–**	**(8,713)**	**(2,533)**	**(11,246)**
Net expense recognised directly in equity		**–**	**(8,713)**	**–**	**(8,713)**	**(2,259)**	**(10,972)**
Profit for the year		**–**	**–**	**67,441**	**67,441**	**10,775**	**78,216**
Total recognised income and expense for the year		**–**	**(8,713)**	**67,441**	**58,728**	**8,516**	**67,244**
Dividends	8	**–**	**–**	**(10,950)**	**(10,950)**	**–**	**(10,950)**
At 31 December 2007		**75,000**	**(732)**	**275,859**	**350,127**	**45,416**	**395,543**

The accompanying notes form an integral part of the financial statements

Company	Note	Share Capital RM'000	Non-Distributable Other Reserves (Note 25) RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 January 2006		75,000	3,443	138,143	216,586
Profit for the year		–	–	34,100	34,100
Total recognised income and expense for the year		–	–	34,100	34,100
Dividends	8	–	–	(16,200)	(16,200)
At 31 December 2006		75,000	3,443	156,043	234,486
At 1 January 2007		**75,000**	**3,443**	**156,043**	**234,486**
Profit for the year		**–**	**–**	**34,718**	**34,718**
Total recognised income and expense for the year		**–**	**–**	**34,718**	**34,718**
Dividends	8	**–**	**–**	**(10,950)**	**(10,950)**
At 31 December 2007		**75,000**	**3,443**	**179,811**	**258,254**

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**120,995**	64,680	**41,469**	44,270
Adjustments for:				
Amortisation of mining rights	**1,817**	1,574	**–**	–
Amortisation and write off of deferred mine development and exploration expenditure	**6,173**	8,003	**–**	–
Depreciation	**13,230**	15,120	**1,650**	1,534
Amortisation of land lease payments	**162**	170	**–**	–
Interest expense	**14,606**	21,150	**14,606**	16,130
(Decrease)/Increase in provision for diminution in value of investment in an associate	**(6,667)**	347	**(3,434)**	1,873
(Decrease)/Increase in provision for diminution in value of other investments	**(372)**	271	**(372)**	271
Provision for mine rehabilitation	**217**	2,201	**–**	–
Provision for severance benefits	**5,442**	4,981	**–**	–
Provision for write down of inventory value	**32,060**	13,700	**–**	–
Increase in provision for unutilised annual leave	**479**	27	**135**	–
Share of (profit)/ loss of associates	**(719)**	927	**–**	–
Specific provision for doubtful debts	**1,049**	407	**–**	–
Specific provision for doubtful debts recovered	**–**	(1,171)	**–**	(1,171)
Dividend income	**–**	–	**(47)**	(47)
Gain on disposal of property, plant and equipment	**(2,577)**	(3,003)	**(2,491)**	(3,003)
Interest income	**(3,390)**	(4,259)	**(20,428)**	(27,549)
Fixed assets written off	**455**	–	**9**	–
Operating profit before working capital changes	**182,960**	125,125	**31,097**	32,308
(Increase)/Decrease in inventories	**(36,111)**	65,866	**(11,469)**	47,402
Increase in receivables	**(71,508)**	(54,861)	**(50,546)**	(63,088)
Decrease in amount due from subsidiaries	**–**	–	**34,476**	66,588
(Increase)/Decrease in amount due from associates	**(1,937)**	1,123	**(1,937)**	1,123
Decrease/(Increase) in amount due from a related company	**391**	(517)	**517**	(517)
(Decrease)/Increase in payables	**(16,315)**	17,062	**(21,080)**	16,455
Decrease in provisions	**(2,427)**	–	**(121)**	–
Increase/(Decrease) in amount due to a subsidiary	**–**	–	**6,985**	(3)
Decrease in amount due to an associate	**–**	(500)	**–**	(500)
Increase in amount due to a related company	**96**	–	**96**	–
Cash generated from/(used in) operations	**55,149**	153,298	**(11,982)**	99,768
Income tax paid	**(24,976)**	(34,253)	**(10,057)**	(15,678)
Interest paid	**(15,716)**	(19,675)	**(15,716)**	(14,655)
Severance benefits paid	**(5,574)**	(5,583)	**–**	(297)
Net cash from/(used in) operating activities carried forward	**8,883**	93,787	**(37,755)**	69,138

The accompanying notes form an integral part of the financial statements

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Net cash from/(used in) operating activities brought forward	**8,883**	93,787	**(37,755)**	69,138
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	**(411)**	–	**–**	–
Purchase of other investments	**(66,679)**	–	**(66,679)**	–
Payment for an insurance scheme	**(7,963)**	–	**–**	–
Purchase of shares in an associate	**(5,523)**	–	**(5,523)**	–
Payment for mining rights	**(2,000)**	–	**–**	–
Net dividend received from an associate	**34**	34	**34**	47
Interest received	**4,600**	3,113	**4,317**	26,402
Purchase of property, plant and equipment	**(14,512)**	(2,467)	**(3,230)**	(180)
Payment for deferred mine development and exploration expenditure	**(12,465)**	(3,095)	**–**	–
Proceeds from disposal of property, plant and equipment	**6,508**	23,903	**6,422**	23,903
Net cash (used in)/from investing activities	**(98,411)**	21,488	**(64,659)**	50,172
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings/(Repayment) from short term trade financing	**55,210**	(37,751)	**50,585**	(47,176)
Borrowing from term loan	**12,000**	–	**12,000**	–
Repayment of term loans	**(2,932)**	(12,973)	**(2,932)**	(12,402)
Effect of changes in foreign exchange rates	**(11,823)**	(12,980)	**–**	–
Dividends paid				
- shareholders of the Company	**(10,950)**	(16,200)	**(10,950)**	(16,200)
Net cash from/(used in) financing activities	**41,505**	(79,904)	**48,703**	(75,778)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(48,023)**	35,371	**(53,711)**	43,532
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**99,953**	64,582	**81,366**	37,834
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 19)	**51,930**	99,953	**27,655**	81,366

The accompanying notes form an integral part of the financial statements

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sale and delivery of refined tin metal and by-products. The principal activities of the subsidiaries and associates are set out in Notes 13 and 14 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The Registered Office of the Company is located at B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.

The immediate and ultimate holding company of the Company is The Straits Trading Company Limited, a public limited liability company listed on the Singapore Stock Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 March 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted an amendment to Financial Reporting Standard (FRS) which is mandatory for financial period beginning on or after 1 January 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except that certain freehold land and buildings are stated at valuation.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

ii. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(b) Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(c) Intangible Assets

i. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

iii. Mining Rights

Mining rights acquired in a business combination are stated at their fair values as at the date of acquisition. Following initial recognition, mining rights are carried at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mining rights are amortised based on the unit-of-production method so as to write off the mining rights in proportion to the depletion of the estimated economically recoverable ore reserves. The amortisation period and the amortisation method are reviewed at least at each financial year end.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(c) Intangible Assets (cont'd)

iv. Mine Exploration and Evaluation Expenditure

Mine exploration and evaluation expenditure is stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mine Exploration and evaluation expenditure incurred in an area of interest is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permit reasonable assessment of the existence of economically recoverable ore reserves.

Accumulated costs in relation to an abandoned area are written off in full to the income statement in the year in which the decision to abandon the area is made.

When production commences, the accumulated cost for the relevant area of interest is amortised based on the unit-of-production method so as to write off the expenditure in proportion to the depletion of the estimated economically recoverable ore reserves.

A review is carried out annually on the carrying amount of deferred exploration and evaluation expenditures to determine whether there is any indication of impairment. An impairment loss is recognised as an expense in the income statement.

v. Mine Development Expenditure

Mine development expenditure is stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mine development expenditure incurred in connection with development activities in respect of each area of interest, which includes all activities conducted in the preparation of economically recoverable ore reserves until commercial production is accumulated in respect of each identifiable area of interest. These costs are only deferred to the extent that they are expected to be recouped through the successful development of the area. Mine development expenditure which is considered to provide minimal benefit to future periods is charged to income statement.

When production in an area of interest commences, the accumulated cost for the relevant area of interest is amortised based on the unit-of-production method so as to write off the expenditure in proportion to the depletion of the estimated economically recoverable ore reserves.

A review is carried out annually on the carrying amount of deferred development expenditure to determine whether there is any indication of impairment. An impairment loss is recognised as an expense in the income statement.

(d) Mine Environmental Expenditure

Restoration, rehabilitation and environmental expenditure incurred during the production phase of operations is recognised in the income statement as part of the cost of production of the mine property concerned.

Significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production of each mine property is provided based on the present value of the estimated expenditure to be incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment and Depreciation

All item of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed at least once in every five years to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that reverses a revaluation decrease for the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in the income statement.

In the tin mining subsidiary, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves over the estimated useful lives of the assets. Changes in estimated ore reserves and the useful lives of plant and equipment are accounted for on a prospective basis from the beginning of the year in which the change arises. Earthmoving vehicles are depreciated based on an hour worked basis over the estimated useful life of each asset.

Depreciation of other property, plant and equipment of the Group is provided for on the straight line method to write off the cost of each asset to its residual value over the shorter of their estimated economic useful lives or life of the mine where appropriate. No depreciation is provided on freehold land or capital work-in-progress as these assets are not available for use. The estimated useful lives for these remaining assets are as follows:

Buildings	8 to 40 years or life of mine, where appropriate, whichever is shorter.
Plant, equipment and vehicles	3 to 40 years
Furniture	4 to 10 years

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(f) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Base Inventory

Base inventory is the fixed recirculating inventory in the smelting process. The value of this inventory which comprises a metallic tin content of 381 tonnes is reviewed at each balance sheet date and stated in the balance sheet at conservative net realisable value which is lower than cost. In view of the long term nature of the inventory, the value is not intended to be adjusted for short-term price fluctuations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of trading inventory of refined tin metal is determined on a first-in first-out basis. Cost of inventories of tin-in-concentrates and tin-in-process which have matching sales contract for refined tin metal from tin smelting operations, are stated at the value of such contract less allowance for conversion. This value is consistent with cost, as it is the practice of tin smelting operations of the Company to buy tin-in-concentrates and sell refined tin metal on a back to back price basis.

Absorption costing is used in the mining operations to assign costs to tin inventories using the weighted average cost method which includes both variable and fixed overhead cost components. The cost of purchased tin-in-concentrates prior to processing comprises cost of purchase.

Cost of other inventories comprising stores, spares, fuels and saleable by-products is determined using the weighted average cost method. Production cost is not allocated to by-products as it is not material.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as an asset or liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net or to realise the asset and settle the liability simultaneously.

i. Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short-term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

ii. Other Non-current Investments

Non-current investments other than investments in subsidiaries and associates, are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

iii. Trade and Other Receivables

Trade and Other Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

iv. Trade and Other Payables

Trade and Other Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not these are billed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(i) Financial Instruments (cont'd)

v. Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

vi. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributed to the equity transaction which would otherwise have been avoided.

vii. Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(j) Leases

i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

ii. Operating Leases - the Group as Lessee

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(k) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(l) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(n) Employee Benefits

i. Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plans

Define contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(n) Employee Benefits (cont'd)

iii. Severance Benefits

The Subsidiaries in Indonesia operates an unfunded, defined Severance Benefits Scheme ("the Scheme") for its eligible employees. The subsidiaries obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of eligible employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the present value of the defined benefit obligation. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised acturial gains and losses and unrecognised past service cost. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service cost.

iv. Termination Benefits

Termination benefits payable by the Group and by the Company in cases of termination of employment within the framework of a restructuring are recognised as a liability and are expensed or charged against provision when the Group and Company have a detailed formal plan for the termination and is without possibility of withdrawal.

(o) Foreign Currencies

i. Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the functional currency. The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

ii. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in the income statement in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recongised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(o) Foreign Currencies (cont'd)

iii. Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated in RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(p) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of Goods

Revenue is recognised net of sales taxes upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii. Interest Income

Interest income is recognised on an accrual basis using effective interest method.

iii. Dividend Income

Dividend income is recognised when the right to receive payment is established.

iv. Tin Warrant and other service charges

Revenue is recognised upon performance of services.

v. Warehouse Rent

Revenue is recognised on an accrual basis.

(q) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 : Non-Current Assets Held for Sale and Discontinued Operations, that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2007, the Group and the Company adopted the following amendment to FRS:

i. Amendment to FRS 119 $_{2004}$: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the Amendment to FRS 119$_{2004}$ gives rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company.

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised FRSs, amendment to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendment to FRS and Interpretations		**Effective for financial periods beginning on or after**
FRS 139	: Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121	: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 107	: Cash Flow Statements	1 July 2007
FRS 111	: Construction Contracts	1 July 2007
FRS 112	: Income Taxes	1 July 2007
FRS 118	: Revenue	1 July 2007
FRS 120	: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134	: Interim Financial Reporting	1 July 2007
FRS 137	: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1	: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	: Applying the Restatement Approach under FRS 129$_{2004}$ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	: Scope of FRS 2	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards and Interpretations Issued but Not Yet Effective (cont'd)

The above new and revised FRSs, amendment to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the following:

(i) Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
This amendment requires that where an entity has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this amendment, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation. The Group will apply this amendment from financial period beginning 1 January 2008. As it is not possible to reasonably estimate the exchange rates applicable to such monetary items for future periods, the directors are therefore unable to determine if the initial adoption of this amendment will have a material impact on the consolidated financial statements for the financial year ending 31 December 2008.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2.5 Significant Accounting Estimates and Judgments

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Depreciation of Plant and Machinery
The cost of plant and machinery for tin smelting and refining is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 40 years. These are common life expectancies applied in such industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised.

In the tin mining subsidiary, plant and equipment used in mining are depreciated using the units-of-production method based on recoverable ore reserves over the estimated useful lives of the assets. Changes in estimated ore reserves and useful lives of plant and equipment are accounted for on a prospective basis from the beginning of the year in which the changes arise. Earth moving vehicles are depreciated based on hour worked basis over the estimated useful lives of each asset. Changes in the estimated ore reserves and expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised. The carrying amounts of the Group's and Company's property, plant and equipment at 31 December 2007 are RM94,497,000 (2006: RM95,568,000) and RM9,800,000 (2006: RM8,229,000) respectively.

ii Amortisation and Impairment of Mining Rights, Mine Development Expenditure, Mine Exploration and Evaluation Expenditure
These require estimates and assumptions on the quantity of recoverable ore reserves, expected future costs and expenses to produce the recoverable ore, effective interest rates, expected future prices used in the impairment test for deferred mine development, mine exploration expenditures and mining rights. The estimate on quantity of recoverable ore reserves is also used for the amortisation of deferred development and exploration expenditures and mining rights. Actual outcomes could differ from these estimates and assumptions. The carrying amounts of the Group's mining rights, deferred exploration and evaluation expenditure and deferred mine expenditure at 31 December 2007 are RM7,127,000, RM11,599,000 and RM10,500,000 (2006: RM6,944,000, RM7,259,000 and RM9,250,000) respectively.

3. PROFIT FROM OPERATIONS

i. Profit from operations is calculated as follows:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Sale of goods	**1,908,396**	1,635,218	**1,892,043**	1,634,836
Tin warehousing and delivery charges	**4,747**	2,486	**4,747**	2,486
Revenue	**1,913,143**	1,637,704	**1,896,790**	1,637,322
Cost of inventories sold	**(1,729,625)**	(1,498,090)	**(1,851,088)**	(1,591,140)
Gross profit	**183,518**	139,614	**45,702**	46,182
Other operating income	**30,535**	23,441	**43,874**	46,169
Marketing and distribution expenses	**(18,142)**	(27,343)	**(2,319)**	(2,614)
Administrative expenses	**(28,691)**	(25,766)	**(7,467)**	(5,276)
Other operating expenses	**(32,324)**	(23,176)	**(23,701)**	(24,047)
Profit from operations	**134,896**	86,770	**56,089**	60,414

ii. Profit from operations is stated:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
After charging:				
Auditors' remuneration:				
- statutory audits	**416**	362	**100**	70
- under/(over)provision in prior year	**66**	(23)	**30**	–
Amortisation of prepaid land lease payments (Note 10)	**162**	170	**–**	–
Amortisation of mining rights (Note 12)	**1,817**	1,574	**–**	–
Amortisation and write off of deferred mine exploration and development expenditure (Note 16)	**6,173**	8,003	**–**	–
Depreciation of property, plant and equipment (Note 9)	**13,230**	15,120	**1,650**	1,534
Employee benefits expense (Note 5)	**53,595**	53,102	**16,075**	15,146
Directors' remuneration:				
Present				
- fees	**581**	731	**209**	328
- emoluments	**–**	1,845	**–**	1,841
- benefits-in-kind	**89**	86	**87**	86
Past				
- fees	**185**	72	**185**	72
Property, plant and equipment written off	**455**	–	**9**	–

3. PROFIT FROM OPERATIONS (CONT'D)

ii. Profit from operations is stated: (cont'd)

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
After charging (cont'd):				
Hire of equipment and vehicles	**12**	232	**12**	8
Net foreign exchange loss	**4,079**	7,539	**3,383**	9,703
Specific provision for doubtful debts	**1,049**	407	**–**	–
Provision for diminution in value of investment in an associate	**–**	347	**–**	1,873
Provision for diminution in value of other investments	**–**	271	**–**	271
Provision for mine rehabilitation (Note 21)	**217**	2,201	**–**	–
Provision for severance benefits (Note 21)	**5,442**	4,981	**–**	–
Provision for write down of inventory value	**32,060**	13,700	**–**	–
Rental of land and buildings	**873**	193	**1,957**	1,956
Secretarial fees payable to a director of a foreign subsidiary	**26**	13	**–**	–
and crediting:				
Gain on disposal of property, plant and equipment	**2,577**	3,003	**2,491**	3,003
Gross dividend received from an associate	**–**	–	**47**	47
Interest income	**3,390**	4,259	**20,428**	27,549
Specific provision for doubtful debts recovered	**–**	1,171	**–**	1,171
Provision for diminution in value of investment in an associate written back	**6,667**	–	**3,434**	–
Provision for diminution in value of other investments written back	**372**	–	**372**	–

4. FINANCE COSTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Interest expenses on bank borrowings	**14,606**	21,150	**14,606**	16,130

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	**41,711**	42,899	**13,732**	12,627
Social security contribution	**192**	161	**119**	107
Contribution to defined contribution plan	**2,825**	2,907	**1,392**	1,685
Severance benefits (Note 21 (a))	**5,442**	4,981	**–**	–
Other benefits	**3,425**	2,154	**832**	727
	53,595	53,102	**16,075**	15,146

The employee benefits expense excludes directors' remuneration as disclosed in Note 3(ii).

6. INCOME TAX EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	**13,356**	13,223	**9,139**	9,945
Foreign tax	**40,973**	12,511	**–**	–
	54,329	25,734	**9,139**	9,945
(Over)/Underprovision in prior years:				
Malaysian income tax	**(915)**	983	**(1,007)**	946
	53,414	26,717	**8,132**	10,891
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	**(10,660)**	(6,434)	**(1,381)**	(647)
Under/(Over)provision in prior year	**25**	(71)	**–**	(74)
	(10,635)	(6,505)	**(1,381)**	(721)
Total income tax expense	**42,779**	20,212	**6,751**	10,170

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rate applicable to subsidiaries in Indonesia is 30% (2006: 30%).

6. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2007 RM'000	2006 RM'000
Group		
Profit before tax	**120,995**	64,680
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	**32,669**	18,110
Effect of income subject to tax at 20% (2006: 20%)	**(35)**	(39)
Different tax rates in other countries	**2,231**	420
Income not subject to tax	**(5,401)**	(6,522)
Expenses not deductible for tax purpose	**14,225**	7,658
Utilisation of previously unrecognised tax losses and unabsorbed capital allowance	**–**	(327)
Under/(Over)provision of deferred tax in prior year	**25**	(71)
(Over)/Underprovision of tax expense in prior years	**(915)**	983
Effect of change in tax rate on opening deferred taxes	**(20)**	–
	42,779	20,212
Company		
Profit before taxation	**41,469**	44,270
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	**11,197**	12,396
Income not subject to tax	**(5,401)**	(6,522)
Expenses not deductible for tax purposes	**1,962**	3,424
Overprovision of deferred tax in prior years	**–**	(74)
(Over)/Underprovision of tax expense in prior years	**(1,007)**	946
Income tax expense for the year	**6,751**	10,170

7. BASIC EARNINGS PER SHARE

Basic earnings per share amount is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007 RM'000	2006 RM'000
Profit attributable to ordinary equity holders of the Company	**67,441**	41,510
Weighted average number of ordinary shares in issue	**75,000**	75,000
Basic earnings per share (sen per share)	**89.9**	55.3

8. DIVIDENDS

	Amount		Net dividend paid per share	
	2007	2006	2007	2006
	RM'000	RM'000	Sen	Sen
Final dividend for the previous year				
- 12 sen less 27% tax (2006: Nil)	**6,570**	–	**8.8**	–
Second interim dividend for the previous year				
- Nil (2006: 10 sen tax exempt and 5 sen less tax at 28%)	**–**	10,200	**–**	13.6
Interim dividend for the year				
- 8 sen less tax at 27% (2006: 8 sen tax exempt)	**4,380**	6,000	**5.8**	8.0
	10,950	16,200	**14.6**	21.6

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company to be held on 22 April 2008, the directors recommend the payment of a final dividend of 10 sen per ordinary share tax exempt and 10 sen per ordinary share less 26% tax, totalling RM13.05 million net for the financial year ended 31 December 2007. This dividend will be paid on 28 May 2008 to members registered on the Company's register at the close of business at 5.00 pm on 12 May 2008.

The financial statements for the current financial year do not reflect this proposed dividend. This will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2007						
Cost or Valuation						
At 1 January 2007						
- At cost	105	66	993	297,976	4,861	304,001
- At valuation 2003	13,695	15,098	179	–	–	28,972
- At valuation 2005	–	–	3,857	–	–	3,857
	13,800	15,164	5,029	297,976	4,861	336,830
Additions	–	1,842	63	647	11,917	14,469
Disposals/Written off	–	–	–	(9,177)	–	(9,177)
Transfer in/(out)	–	–	1,057	1,295	(2,352)	–
Reclassified to inventory	–	–	–	–	(3,445)	(3,445)
Reclassified to prepaid land lease payments	–	–	–	–	(46)	(46)
Acquisition of a subsidiary (Note 13)	–	–	–	–	5,134	5,134
Exchange translation differences	–	–	(279)	(15,878)	(469)	(16,626)
At 31 December 2007	13,800	17,006	5,870	274,863	15,600	327,139
Representing:						
- At cost	105	1,929	2,053	274,863	15,600	294,550
- At valuation 2003	13,695	15,077	201	–	–	28,973
- At valuation 2005	–	–	3,616	–	–	3,616
At 31 December 2007	13,800	17,006	5,870	274,863	15,600	327,139
Accumulated depreciation and impairment losses						
At 1 January 2007	–	1,502	844	238,916	–	241,262
Depreciation charge for the year, recognised in income statement (Note 3ii)	–	513	705	12,012	–	13,230
Disposals/Written off	–	–	–	(8,722)	–	(8,722)
Exchange translation differences	–	–	(63)	(13,065)	–	(13,128)
At 31 December 2007	–	2,015	1,486	229,141	–	232,642
Net carrying amount						
- At cost	105	1,909	1,640	45,722	15,600	64,976
- At valuation 2003	13,695	13,082	139	–	–	26,916
- At valuation 2005	–	–	2,605	–	–	2,605
At 31 December 2007	13,800	14,991	4,384	45,722	15,600	94,497

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2006						
Cost or Valuation						
At 1 January 2006						
- At cost	105	66	656	313,667	5,316	319,810
- At valuation 2003	39,246	15,098	179	–	–	54,523
- At valuation 2005	–	–	4,112	–	–	4,112
	39,351	15,164	4,947	313,667	5,316	378,445
Additions	–	–	4	2,046	417	2,467
Disposals/Written off	(20,891)	–	–	(276)	–	(21,167)
Transfer in/(out)	–	–	261	261	(522)	–
Reclassified as held for sale (Note 20)	(4,660)	–	–	–	–	(4,660)
Exchange translation differences	–	–	(183)	(17,722)	(350)	(18,255)
At 31 December 2006	13,800	15,164	5,029	297,976	4,861	336,830
Representing:						
- At cost	105	66	993	297,976	4,861	304,001
- At valuation 2003	13,695	15,098	179	–	–	28,972
- At valuation 2005	–	–	3,857	–	–	3,857
At 31 December 2006	13,800	15,164	5,029	297,976	4,861	336,830
Accumulated depreciation and impairment losses						
At 1 January 2006	–	1,000	8	239,279	–	240,287
Depreciation charge for the year, recognised in income statement (Note 3ii)	–	502	745	13,873	–	15,120
Disposals/Written off	–	–	–	(275)	–	(275)
Exchange translation differences	–	–	91	(13,961)	–	(13,870)
At 31 December 2006	–	1,502	844	238,916	–	241,262
Net carrying amount						
- At cost	105	66	486	59,060	4,861	64,578
- At valuation 2003	13,695	13,596	153	–	–	27,444
- At valuation 2005	–	–	3,546	–	–	3,546
At 31 December 2006	13,800	13,662	4,185	59,060	4,861	95,568
Net carrying value (had the revalued property, plant and equipment been carried at cost less depreciation)						
At 31 December 2007	**9,462**	**8,864**	**1,638**	**45,722**	**15,600**	**81,286**
At 31 December 2006	9,462	7,275	720	59,060	4,861	81,378

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2007						
Cost or Valuation						
At 1 January 2007						
- At cost	–	–	–	36,171	–	36,171
- At valuation 2003	109	5,500	–	–	–	5,609
	109	5,500	–	36,171	–	41,780
Additions	–	1,842	–	–	1,388	3,230
Disposals/Written off	–	–	–	(862)	–	(862)
Transfer in/(out)	–	–	–	1,295	(1,295)	–
At 31 December 2007	109	7,342	–	36,604	93	44,148
Representing:						
- At cost	–	1,842	–	36,604	93	38,539
- At valuation 2003	109	5,500	–	–	–	5,609
At 31 December 2007	109	7,342	–	36,604	93	44,148
Accumulated depreciation and impairment losses						
At 1 January 2007	–	413	–	33,138	–	33,551
Depreciation charge for the year, recognised in income statement (Note 3ii)	–	153	–	1,497	–	1,650
Disposals/Written off	–	–	–	(853)	–	(853)
At 31 December 2007	–	566	–	33,782	–	34,348
Net carrying amount						
- At cost	–	1,827	–	2,822	93	4,742
- At valuation 2003	109	4,949	–	–	–	5,058
At 31 December 2007	109	6,776	–	2,822	93	9,800

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2006						
Cost or Valuation						
At 1 January 2006						
- At cost	–	–	–	36,104	–	36,104
- At valuation 2003	25,660	5,500	–	–	–	31,160
	25,660	5,500	–	36,104	–	67,264
Additions	–	–	–	–	180	180
Disposals	(20,891)	–	–	(113)	–	(21,004)
Transfer in/(out)	–	–	–	180	(180)	–
Reclassified as held for sale (Note 20)	(4,660)	–	–	–	–	(4,660)
At 31 December 2006	109	5,500	–	36,171	–	41,780
Representing:						
- At cost	–	–	–	36,171	–	36,171
- At valuation 2003	109	5,500	–	–	–	5,609
At 31 December 2006	109	5,500	–	36,171	–	41,780
Accumulated depreciation and impairment losses						
At 1 January 2006	–	275	–	31,855	–	32,130
Depreciation charge for the year, recognised in income statement (Note 3ii)	–	138	–	1,396	–	1,534
Disposals	–	–	–	(113)	–	(113)
At 31 December 2006	–	413	–	33,138	–	33,551
Net carrying amount						
- At cost	–	–	–	3,033	–	3,033
- At valuation 2003	109	5,087	–	–	–	5,196
At 31 December 2006	109	5,087	–	3,033	–	8,229
Net carrying value (had the revalued property, plant and equipment been carried at cost less depreciation)						
At 31 December 2007	**123**	**6,525**	**–**	**2,821**	**93**	**9,562**
At 31 December 2006	123	4,840	–	3,033	–	7,996

Group/Company

Freehold land and freehold buildings owned by the Group and the Company in Malaysia were revalued in December 2003 by the directors based on a valuation carried out by a firm of professional valuers using the open market values and depreciated replacement cost basis.

Leasehold buildings of PT Koba Tin, a subsidiary in Indonesia was revalued in 2005. The revaluation was carried out by a firm of independent professional valuers using the depreciated replacement basis.

10. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	RM'000	RM'000
Leasehold land		
At 1 January	**1,472**	1,693
Additions	**89**	–
Exchange translation differences	**(45)**	(51)
Amortisation for the year (Note 3ii)	**(162)**	(170)
At 31 December	**1,354**	1,472
Analysed as :		
Long-term leasehold land	**39**	–
Short-term leasehold land	**1,315**	1,472
	1,354	1,472

The short term leasehold land have unexpired lease periods of between 1 to 27 years (2006: 1 to 28 years). The long term leasehold land has unexpired lease period of 55 years. Application for renewal of two leases which expired in year 2006 and 2007 respectively has been submitted.

11. BASE INVENTORY

As stated in Note 2.2(g), base inventory which comprises a metallic tin content of 381 tonnes is stated in the balance sheet at RM3,000,000 based on a conservative net realisable value calculated at a tin metal price of RM11 per kg, as compared with the tin metal price of RM53.823 per kg as at 31 December 2007.

12. INTANGIBLE ASSETS

	Group Mining Rights RM'000
Cost	
At 1 January 2006/ 31 December 2006	9,922
Addition	2,000
At 31 December 2007	**11,922**
Accumulated amortisation	
At 1 January 2006	1,404
Amortisation for the year (Note 3 ii)	1,574
At 31 December 2006 and 1 January 2007	2,978
Amortisation for the year (Note 3 ii)	1,817
At 31 December 2007	**4,795**
Net carrying amount	
At 31 December 2007	**7,127**
At 31 December 2006	6,944

Mining rights is in respect of the acquisition of Rahman Hydraulic Tin Sdn. Bhd. The acquisition price was based on the projected value of the estimated quantity of recoverable ore reserves of the mining rights. The addition during the year represents cost incurred for the renewal of the mining rights.

The application for the extension for the mining rights which expired on 31 December 2003 has been approved by the relevant authorities for a period of ten years commencing from 18 March 2008.

Based on the assessment and review made by the management, there is no indication of impairment in mining rights of Rahman Hydraulic Tin Sdn. Bhd.

13. INVESTMENT IN SUBSIDIARIES

	Company 2007 RM'000	Company 2006 RM'000
Unquoted shares, at cost	**18,366**	18,366

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2007 %	Proportion of ownership interest 2006 %
Held by the Company:				
Malaysia Smelting Corporation (Warehousing) Sdn. Bhd.*	Malaysia	Tin warehousing	**100**	100
MSC Properties Sdn. Bhd.*	Malaysia	Property holding and rental	**100**	100
Rahman Hydraulic Tin Sdn. Bhd. ***	Malaysia	Tin mining	**100**	100
Bemban Corporation Ltd.*	British Virgin Islands	Investment holding	**100**	100
PT MSC Indonesia **	Indonesia	Tin exploration and mining	**100**	100
Held through subsidiaries:				
Kajuara Mining Corporation Pty. Ltd. **	Australia	Investment holding	**100#**	100#
PT Koba Tin **	Indonesia	Tin mining and smelting	**75#**	75#
PT Bangka Resources ***	Indonesia	Dormant	**100#**	100#
PT Tenaga Anugerah ***	Indonesia	Dormant	**60#**	–

* Audited by Ernst & Young, Malaysia
** Audited by member firm of Ernst & Young Global in the respective countries
*** Audited by firms of auditors other than Ernst & Young
# Indirect interest

In March 2007, a wholly-owned subsidiary PT MSC Indonesia, acquired a 60% equity interest in PT Tenaga Anugerah for a total cash consideration of RM411,000 (USD120,000). The intended principal activity of the newly acquired subsidiary is to carry on offshore mining operations in Indonesia, but has remained dormant since the acquisition.

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Analysis of the acquisition of a subsidiary

The acquisition of PT Tenaga Anugerah in 2007 has contributed the following results to the Group:

	2007 Total RM'000
Revenue	–
Loss for the year	**123**

There is no impact on the Group's revenue and profit for the year if the acquisition had occurred on 1 January 2007 as the newly acquired subsidiary has remained dormant since the acquisition.

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 9)	5,134	5,134
Current liabilities	(4,449)	(4,449)
Fair value of net assets	685	685
Less : Minority interest	274	274
Group's share of net assets/Total cost of acquisition	411	411
The cash outflow on acquisition is as follow:		
Purchase consideration satisfied by cash	411	411

There were no acquisitions in the financial year ended 31 December 2006 and subsequent to 31 December 2007.

14. INVESTMENT IN ASSOCIATES

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Unquoted shares, at cost	**10,473**	10,473	**10,473**	10,473
Share of post-acquisition reserves	**6,254**	5,166	**–**	–
	16,727	15,639	**10,473**	10,473
Outside Malaysia:				
Quoted shares, at cost	**31,696**	26,173	**31,696**	26,173
Exchange translation differences	**–**	2,830	**–**	–
	31,696	29,003	**31,696**	26,173
Share of post-acquisition reserves	**(26,221)**	(25,818)	**–**	–
	5,475	3,185	**31,696**	26,173
Write back/(provision) for diminution in value of investment	**6,262**	(405)	**(19,959)**	(23,393)
	11,737	2,780	**11,737**	2,780
	28,464	18,419	**22,210**	13,253
Market value of quoted shares	**11,737**	2,780	**11,737**	2,780

Details of the associates are as follows:

Name of Associates	Country of incorporation	Principal activities	Proportion of ownership interest 2007 %	Proportion of ownership interest 2006 %
Held by the Company:				
Redring Solder (M) Sdn. Bhd.	Malaysia	Manufacture and sale of solder products	**40**	40
Australia Oriental Minerals NL	Australia	Tin exploration	**49**	40

On 18 September 2007, the Company entered into an Underwriting Agreement with its associate, Australia Oriental Minerals NL (AOM) relating to its renounceable rights issue exercise. Upon completion of the exercise in October 2007, the Company had subscribed for a total of 226,863,490 new shares amounting to approximately RM5.5 million (AUD 1.8 million) and the Company's direct shareholding in AOM has increased from 39.45% to 49.11%.

The financial statements of the above associates are coterminous with those of the Group.

14. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates are as follows:

	Group	
	2007	2006
	RM'000	RM'000
Assets and liabilities		
Current assets	**37,967**	27,910
Non-current assets	**18,625**	15,938
Total assets	**56,592**	43,848
Current liabilities	**8,869**	6,996
Non-current liabilities	**338**	876
Total liabilities	**9,207**	7,872
Results		
Revenue	**52,441**	44,237
Profit/(Loss) for the year	**1,846**	(2,296)

15. OTHER INVESTMENTS

	Group/Company	
	2007	2006
	RM'000	RM'000
Outside Malaysia:		
Quoted shares, at cost	**67,787**	1,108
Provision for diminution in value of investment	**(487)**	(859)
	67,300	249
Market value	**60,513**	249

Included in quoted shares is certain quoted share with a carrying value amounting to RM66,679,000 (2006: Nil) in which no provision for diminution in value has been made as the directors are of the opinion that the diminution is temporary in nature.

16. OTHER ASSETS

	Group 2007 RM'000	Group 2006 RM'000
Deferred expenditure	**22,099**	16,509
Insurance scheme	**7,963**	–
	30,062	16,509

(a) Deferred expenditure

	Deferred Exploration and Evaluation Expenditure RM'000	Deferred Mine Development Expenditure RM'000	Total RM'000
Group			
At 1 January 2007	**7,259**	**9,250**	**16,509**
Additions	**6,145**	**6,320**	**12,465**
Amortisation to income statement	**(68)**	**(4,753)**	**(4,821)**
Write off to income statement	**(1,352)**	**–**	**(1,352)**
Exchange translation differences	**(385)**	**(317)**	**(702)**
At 31 December 2007	**11,599**	**10,500**	**22,099**
At 1 January 2006	7,946	14,520	22,466
Additions	537	2,558	3,095
Amortisation to income statement	(46)	(7,253)	(7,299)
Write off to income statement	(704)	–	(704)
Exchange translation differences	(474)	(575)	(1,049)
At 31 December 2006	7,259	9,250	16,509

The above represents mine development and exploration and evaluation expenditure for several areas of interest. The costs are carried forward to the extent that they are expected to be recouped through the successful development of the areas or activities of the areas have not reached a stage that permits reasonable assessment of the existence of economically recoverable ore reserves.

(b) Insurance scheme

The Insurance scheme is a severance pay product based on an agreement dated 8 June 2007, between a subsidiary in Indonesia and an insurance company in Indonesia.

The subsidiary will pay the funding for the future benefit payments to the insurer, and the insurer will accumulate the subsidiary's funding in a managed pooled fund. The calculation for the benefits refers to the Collective Labor Agreement and in certain circumstances to Indonesian Labor Law. Annually, the subsidiary has the right to review the managed pooled fund arrangement, which earns interest at the rate of 9.5% per annum.

17. INVENTORIES

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**278,228**	255,420	**101,043**	64,979
Goods in transit	**732**	23,143	**–**	25,737
Other inventories (stores, spares, fuels and by-products)	**29,513**	22,414	**7,373**	6,231
	308,473	300,977	**108,416**	96,947

18. TRADE AND OTHER RECEIVABLES

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Trade receivables				
Third parties	**163,175**	73,427	**147,427**	73,427
Subsidiaries	**–**	–	**102,102**	142,071
An associate	**2,608**	115	**2,608**	115
	165,783	73,542	**252,137**	215,613
Provision for doubtful debts				
- Third parties	**(3,100)**	(3,100)	**(3,100)**	(3,100)
Trade receivables, net	**162,683**	70,442	**249,037**	212,513
Other receivables				
Third parties	**60,758**	79,898	**16,158**	40,590
Subsidiaries	**–**	–	**98,836**	76,022
A related company	**126**	517	**–**	517
An associate	**–**	556	**–**	556
	60,884	80,971	**114,994**	117,685
Deposits	**1,676**	1,597	**1,059**	769
Prepayments	**56**	527	**–**	522
	62,616	83,095	**116,053**	118,976
Provision for doubtful debts				
- Third parties	**(2,025)**	(1,058)	**(362)**	(362)
	60,591	82,037	**115,691**	118,614
	223,274	152,479	**364,728**	331,127

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Credit Risk

The carrying amount of trade and other receivables, amount due from associates, and deposits represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risks, or the risk of counterparties defaulting are controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group's normal trade credit terms range from cash to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group does not have any significant exposure to any individual customer or group of customers.

(b) Amounts due from Subsidiaries

Amounts due from subsidiaries are unsecured and payable on demand. Included in amounts due from subsidiaries are unsecured advances to subsidiaries amounting to RM200.94 million (2006: RM218.09 million). Interest rates of between 3% and 9.75% (2006: 3% and 9.75%) per annum are charged on these advances.

(c) Amount due from Associates

The amount due from an associate under trade receivables, is unsecured, interest free and subject to the Group's normal credit terms which range from cash to 90 days.

The amount due from an associate under other receivables is secured advance and is payable on demand. Interest is charged at 8% (2006: 8%) per annum on the advance.

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of receivables are disclosed in Note 31.

19. CASH, BANK BALANCES AND DEPOSITS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	**29,281**	41,647	**12,761**	25,627
Deposits with:				
- licensed banks	**21,359**	53,244	**13,604**	50,677
- licensed finance companies	**1,290**	5,062	**1,290**	5,062
Cash and bank balances	**51,930**	99,953	**27,655**	81,366

20. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group/Company	
	2007 RM'000	2006 RM'000
Reclassified from property, plant and equipment (Note 9)	–	4,660

On 30 October 2006, the Company entered into a Sale and Purchase Agreement for the sale of a parcel of freehold land held under Geran No. 38940, Lot No. 1199, Mukim 12, Daerah Seberang Perai Tengah, Pulau Pinang for a consideration of RM7.294 million. The net carrying amount of this parcel of land was RM4.660 million. The sale was completed in year 2007.

21. PROVISIONS FOR LIABILITIES

	Severance benefits RM'000	Mine rehabilitation RM'000	Unutilised annual leave RM'000	Total RM'000
Group				
At 1 January 2007	**20,051**	**13,547**	**600**	**34,198**
Provision during the year (Note 3ii)	**5,442**	**217**	**479**	**6,138**
Paid/utilised during the year	**(5,574)**	**(1,110)**	**(465)**	**(7,149)**
Exchange translation differences	**(2,250)**	**(852)**	**–**	**(3,102)**
At 31 December 2007	**17,669**	**11,802**	**614**	**30,085**
At 31 December 2007				
Current	**2,292**	**–**	**614**	**2,906**
Non-current:				
Later than 1 year but not later than 2 years	**2,428**	**–**	**–**	**2,428**
Later than 2 years but not later than 5 years	**1,232**	**–**	**–**	**1,232**
Later than 5 years	**11,717**	**11,802**	**–**	**23,519**
	15,377	**11,802**	**–**	**27,179**
	17,669	**11,802**	**614**	**30,085**
At 31 December 2006				
Current	2,487	–	600	3,087
Non-current:				
Later than 1 year but not later than 2 years	1,420	–	–	1,420
Later than 2 years but not later than 5 years	2,300	–	–	2,300
Later than 5 years	13,844	13,547	–	27,391
	17,564	13,547	–	31,111
	20,051	13,547	600	34,198

21. PROVISIONS FOR LIABILITIES (CONT'D)

	Severance benefits RM'000	Mine rehabilitation RM'000	Unutilised annual leave RM'000	Total RM'000
Company				
At 1 January 2007	–	–	600	600
Provision during the year	–	–	135	135
Paid/utilised during the year	–	–	(121)	(121)
At 31 December 2007	–	–	614	614
At 31 December 2007				
Current	–	–	614	614
Non-current:				
Later than 1 year but not later than 2 years	–	–	–	–
Later than 2 years but not later than 5 years	–	–	–	–
Later than 5 years	–	–	–	–
	–	–	–	–
	–	–	614	614
At 31 December 2006				
Current	–	–	600	600
Non-current:				
Later than 1 year but not later than 2 years	–	–	–	–
Later than 2 years but not later than 5 years	–	–	–	–
Later than 5 years	–	–	–	–
	–	–	–	–
	–	–	600	600

21. PROVISIONS FOR LIABILITIES (CONT'D)

(a) Severance benefits

The subsidiaries in Indonesia operate an unfunded, Severance Benefits Scheme (the Scheme) for their eligible employees. Under the Scheme, eligible permanent employees confirmed in service are entitled to severance benefits due to reduction or termination of operations, termination due to ill-health or death and on attainment of the normal retirement age of 55 or early retirement age of 50 due to ill-health. The obligations under the Scheme are determined based on actuarial valuation.

The amounts recognised in the balance sheet are determined as follows:

	Group	
	2007 RM'000	2006 RM'000
Present value of unfunded defined benefit obligations	**24,930**	29,482
Unrecognised actuarial losses	**(4,644)**	(4,952)
Unrecognised past service costs	**(2,617)**	(4,479)
Net liability	**17,669**	20,051
Analysed as:		
Current	**2,292**	2,487
Non-current:		
Later than 1 year but not later than 2 years	**2,428**	1,420
Later than 2 years but not later than 5 years	**1,232**	2,300
Later than 5 years	**11,717**	13,844
	15,377	17,564
	17,669	20,051
The amounts recognised in the income statement are as follows:		
Current service cost	**1,465**	1,287
Interest cost	**2,869**	2,923
Net actuarial losses	**458**	81
Past services costs	**650**	690
Total, included in employee benefits expense (Note 5)	**5,442**	4,981

The amounts charged to income statement for 2007 and 2006 have been included in administrative expenses.

21. PROVISIONS FOR LIABILITIES (CONT'D)

(a) Severance benefits (cont'd)

Movements in the net liability in the current year are as follows:

	Group	
	2007	**2006**
	RM'000	**RM'000**
At 1 January	**20,051**	18,838
Recognised in income statement	**5,442**	4,981
Contribution paid	**(5,574)**	(3,999)
Exchange translation differences	**(2,250)**	231
At 31 December	**17,669**	20,051

Principal actuarial assumptions used:

	2007	**2006**
	% per annum	**% per annum**
Discount rate	**10.00**	10.50 - 11.00
Expected rate of salary increases	**8.00 - 10.00**	8.00 - 10.00

(b) Mine rehabilitation

The provision for mine rehabilitation is in respect of mine rehabilitation expenditure to be incurred subsequent to the cessation of production of each mine property. It is provided based on the present value of the estimated expenditure to be incurred.

22. BORROWINGS

	Group/Company 2007 RM'000	Group/Company 2006 RM'000
Short Term Borrowings		
Unsecured:		
Short-term trade financing	**289,239**	224,162
Bankers' acceptances	**33,083**	10,264
Revolving credit	**8,612**	45,923
Term loan 1	**–**	2,932
Term loan 2	**3,000**	–
	333,934	283,281
Long Term Borrowings		
Unsecured:		
Term loan 2	**9,000**	–
Total Borrowings		
Short-term trade financing	**289,239**	224,162
Bankers' acceptances	**33,083**	10,264
Revolving credit	**8,612**	45,923
Term loan 1	**–**	2,932
Term loan 2	**12,000**	–
	342,934	283,281

The unsecured term loan 1 was denominated in Australian Dollar and was repayable by 8 semi-annual principal repayments of RM1.466 million (AUD525,000) each commencing on 17 April 2004. The loan had been fully repaid in year 2007.

The unsecured term loan 2 is denominated in Ringgit Malaysia and is repayable by 8 semi-annual principal repayments of RM1.50 million each commencing on 1 May 2008.

Other information on financial risks on borrowings are disclosed in Note 31(b) to the financial statements.

23. TRADE AND OTHER PAYABLES

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Current				
Trade payables				
Third parties	**10,976**	30,363	**3,356**	24,545
A subsidiary	**–**	–	**6,985**	–
	10,976	30,363	**10,341**	24,545
Other payables				
Third parties	**15,244**	29,079	**8,193**	5,968
A subsidiary	**–**	–	**78**	78
A related company	**96**	–	**96**	–
An associate	**500**	500	**500**	500
	15,840	29,579	**8,867**	6,546
Accruals	**28,978**	9,460	**3,447**	7,402
	44,818	39,039	**12,314**	13,948
	55,794	69,402	**22,655**	38,493

(a) Trade Payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from cash to 90 days.

(b) Amounts due to Subsidiaries

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of payables are disclosed in Note 31.

(c) Amount due to an Associate

The amount due to an associate represents security deposit amounting to RM500,000 (2006: RM500,000) received for its purchase of refined tin metal. The amount is placed in fixed deposit with a licensed bank and earns interest at an average rate of 3.85% (2006: 4.00%) per annum. The fixed deposit interest earned on the security deposit is payable to the associate.

24. SHARE CAPITAL

	Company			
	Number of ordinary shares of RM1 each		Amount	
	2007	2006	**2007**	2006
	'000	'000	**RM'000**	RM'000
Authorised:				
At 31 December	**100,000**	100,000	**100,000**	100,000
Issued and fully paid:				
At 31 December	**75,000**	75,000	**75,000**	75,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25. OTHER RESERVES (NON-DISTRIBUTABLE)

	Revaluation Reserve -Land and Buildings RM'000	Foreign Currency Translation Reserve RM'000	Capital Reserve RM'000	Total RM'000
Group				
At 1 January 2006	11,415	1,915	1,706	15,036
Foreign currency translation:				
Group	–	(7,215)	–	(7,215)
Associate	–	160	–	160
	–	(7,055)	–	(7,055)
At 31 December 2006	11,415	(5,140)	1,706	7,981
Group				
At 1 January 2007	**11,415**	**(5,140)**	**1,706**	**7,981**
Foreign currency translation:				
Group	**–**	**(11,543)**	**–**	**(11,543)**
Associate	**–**	**2,830**	**–**	**2,830**
	–	**(8,713)**	**–**	**(8,713)**
At 31 December 2007	**11,415**	**(13,853)**	**1,706**	**(732)**
Company				
At 1 January 2006/At 31 December 2006/ At 31 December 2007	3,443	–	–	3,443

25. OTHER RESERVES (NON-DISTRIBUTABLE) (CONT'D)

The nature and purpose of each category of reserve are as follows:

(a) Revaluation Reserve

The revaluation reserve is used to record increases in the fair value of land and building and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.

(c) Capital Reserve

The capital reserve represents share of post acquisition share premium of an associate.

26. RETAINED EARNINGS

As at 31 December 2007, the Company has tax exempt profits available for distribution of approximately RM46 million (2006: RM46 million), subject to the agreement of the Inland Revenue Board.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

27. DEFERRED TAX

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
At 1 January	**(13,054)**	(7,346)	**(58)**	663
Recognised in the income statement (Note 6)	**(10,635)**	(6,505)	**(1,381)**	(721)
Exchange translation differences	**1,321**	797	**–**	–
At 31 December	**(22,368)**	(13,054)	**(1,439)**	(58)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(24,383)**	(14,955)	**(1,439)**	(58)
Deferred tax liabilities	**2,015**	1,901	**–**	–
	(22,368)	(13,054)	**(1,439)**	(58)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, Plant and Equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2007	**9,307**	**(537)**	**8,770**
Recognised in income statement	**(63)**	**(277)**	**(340)**
Exchange translation difference	**(149)**	**–**	**(149)**
At 31 December 2007	**9,095**	**(814)**	**8,281**
At 1 January 2006	9,431	(864)	8,567
Recognised in income statement	(124)	327	203
At 31 December 2006	9,307	(537)	8,770

Deferred tax assets of the Group

	Other Provisions RM'000
At 1 January 2007	**(21,824)**
Recognised in income statement	**(10,295)**
Exchange translation differences	**1,470**
At 31 December 2007	**(30,649)**
At 1 January 2006	(15,913)
Recognised in income statement	(6,708)
Exchange translation differences	797
At 31 December 2006	(21,824)

27. DEFERRED TAX (CONT'D)

Deferred tax liabilities of the Company

	Property, Plant and Equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2007	**1,815**	**(537)**	**1,278**
Recognised in income statement	**(92)**	**(277)**	**(369)**
At 31 December 2007	**1,723**	**(814)**	**909**
At 1 January 2006	1,961	(864)	1,097
Recognised in income statement	(146)	327	181
At 31 December 2006	1,815	(537)	1,278

Deferred tax assets of the Company

	Other Provisions RM'000
At 1 January 2007	**(1,336)**
Recognised in income statement	**(1,012)**
At 31 December 2007	**(2,348)**
At 1 January 2006	(434)
Recognised in income statement	(902)
At 31 December 2006	(1,336)

27. DEFERRED TAX (CONT'D)

Deferred tax assets have not been recognised in respect of the following item:

	Group	
	2007	2006
	RM'000	RM'000
Unutilised tax losses	**24,078**	13,090

The unutilised tax losses of the Group amounting to RM13,000 (2006: RM13,000) are available for offsetting against future taxable profits of the respective entities within the Group subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. Included in the above, unutilised tax losses amounting to RM24,065,000 (2006: RM13,077,000) that arose in Indonesia which, subject to the approval of the tax authorities, the tax losses may be carried forward and utilised to offset future taxable income for up to five years following the year in which the tax loss occured.

28. CAPITAL COMMITMENTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	**699**	133	**520**	133
Approved but not contracted for:				
Property, plant and equipment	**3,975**	6,010	**–**	1,771
Mine development expenditure	**22,015**	23,477	**–**	–
	25,990	29,487	**–**	1,771

29. CONTIGENT LIABILITIES (UNSECURED)

Group

At 31 December 2007 the Group has the following contingent liabilities:

(a) A claim from a party against the Company and 3 others, seeking a declaration that the award for the sale of 100% issued shares of Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to an open tender process, be declared null and void. The party also filed an injunction to restrain the Administrator of RHT from proceeding with the sale. Both the claim and the injunction were dismissed by the High Court with costs. The party has filed an appeal and no date has been fixed for hearing.

(b) At the time of takeover of RHT on 22 November 2004, the following legal suits were pending against RHT:

i. A Summon in Chambers (ex-parte) was served on RHT and 3 others by the Plaintiff whose proposal to acquire the mining lease and related assets of RHT was rejected in April 2002. The Plaintiff's application for Judicial Review was dismissed with costs but an appeal has been filed against the decision, however, the appeal has yet to be heard.

ii. A claim by 11 ex-workers for notice pay and retrenchment benefits totalling RM125,723 against RHT has been dismissed by the Industrial Court on 26 September 2005. The claimants have filed an appeal at the High Court. The appeal has been dismissed with costs by the High Court on 18 July 2007.

iii. Two former directors of RHT have made a claim for compensation amounting to approximately RM2.4 million pursuant to service agreements entered on 31 March 2000 between them and RHT. One of the directors has commenced proceedings in the Industrial Court for wrongful dismissal as the managing director of RHT, seeking reinstatement. The claim has been dismissed by the Industrial Court. The said director has appealed against the decision and the matter is fixed for mention on 17 April 2008, pending the filing of Affidavit in Reply to the Appellant.

In accordance with the Sale of Shares Agreement dated 1 October 2004 between the vendor of RHT and the Company (the Purchaser), the vendor shall do the necessary to defend and settle all legal suits against RHT in relation to matters occurred prior to completion date, being 22 November 2004 or shall cause these legal suits to be transferred from RHT to the vendor. Accordingly, the vendor has made an application to substitute itself with RHT. It is the said vendor's intention to dispute the claims of these former directors based on its solicitors' advice that the service agreements are void and therefore are of no effect.

(c) A statement of claim by a third party (Plaintiff) for RM45 million or such amount as the Court deemed fit, plus interest of 8% on judgement sum that remains unpaid, cost of litigation and any other relief that the Court deems appropriate for an alleged breach of the Subscription Agreement entered into by the Company. The Plaintiff alleged that it has suffered a loss as the Company wilfully interfere and prevent the issuance of the renewal of mining lease by the relevant authorities to the Plaintiff. The Company maintains that the breach was committed by the Plaintiff, entitling it to terminate the agreement. The Company had filed its statement of defence. The Company's solicitors have filed an application to strike out the Plaintiff's claim as the Plaintiff has failed to file any cause papers since 2005 to proceed with the case.

(d) On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company maintains that the allegation is baseless and has accordingly filed its statement of defence. The case has been fixed for case management on 29 April 2008.

(e) During the year, one of its subsidiaries in Indonesia received various assessments for taxes and penalties for fiscal year 2005 from the Tax Office indicating a total net underpayment amounting to RM50,264,000 (USD15,174,000). The subsidiary has filed objections to the Tax Office on 21 March 2007 and paid a portion of the net assessed underpayment in the amount of RM10,980,000 (USD3,315,000).

Based on independent professional advice received by the subsidiary, the basis for the determination of the above taxes and penalties are still open for revision, therefore, as of 31 December 2007, the subsidiary has not recognized any provision for underpayments of taxes and penalties in its financial statements except for an amount of RM1,285,000 (USD388,000) involving withholding tax and related penalties.

29. CONTIGENT LIABILITIES (UNSECURED) (CONT'D)

Group (cont'd)

At 31 December 2007 the Group has the following contingent liabilities: (cont'd)

(f) On 23 January 2007, a special Indonesian National Police task force began an investigation of certain activities of its subsidiary in Indonesia. The investigation was ascribed to the alleged involvement by the subsidiary in the acquisition of tin ore from small-scale miners operating outside the subsidiary's Contract of Work area.

In the course of the investigation, the Police seized a shipment of 500 tonnes of the subsidiary's tin ingots at the Pangkal Balam Port and certain of the subsidiary's documentation, including accounting records for verification purposes. Three of the subsidiary's executive directors were detained by the Police to assist in the ongoing investigation.

Following the investigation, the Sungai Liat State District Attorney ("DA") lodged a claim to the Sungai Liat State Court against three of the subsidiary's executive directors in relation with their suspected roles in conducting activities involving the mining of tin ore and trading of tin ingots without permits (e.g. Contract of Work) from the Government of Indonesia and acting as an illegal tin ore collector.

On 19 September 2007, the Sungai Liat State Court through its decree No. 151/PID.B/2007/PN. Sgt rejected all of the DA's claims and charges against the three directors and the subsidiary and released all of evidence which had been seized, in favour of the subsidiary. The DA subsequently lodged an appeal to the Supreme Court dated 24 September 2007. On 19 February 2008, the Supreme Court issued a decision rejecting the appeal.

Company

At 31 December 2007 the Company has the following contingent liabilities:

(a) Bank guarantees:
   i. RM1.6 million given by the Company to the Perak State Authorities on behalf of a subsidiary; and
   ii. RM28.2 million (USD8.5 million) given by the Company to Indonesian Authorities on behalf of a subsidiary;

(b) A claim from a third party against the Company and 3 others, seeking a declaration that the award for the sale of 100% issued shares of Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to an open tender process be declared null and void. The party also filed an injunction to restrain the Administrator of RHT from proceeding with the sale. Both the claim and the injunction were dismissed by the High Court with costs. The party has filed an appeal and no date has been fixed for hearing.

(c) A statement of claim by a third party (Plaintiff) for RM45 million or such amount as the Court deemed fit, plus interest of 8% on judgement sum that remains unpaid, cost of litigation and any other relief that the Court deems appropriate for an alleged breach of the Subscription Agreement entered into by the Company. The Plaintiff alleged that it has suffered a loss as the Company wilfully interfere and prevent the issuance of the renewal of mining lease by the relevant authorities to the Plaintiff. The Company maintains that the breach was committed by the Plaintiff, entitling it to terminate the agreement. The Company had filed its statement of defence. The Company's solicitors have filed an application to strike out the plaintiff's claim as the plaintiff has failed to file any cause papers since 2005 to proceed with the case.

(d) On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company maintains that the allegation is baseless and has accordingly filed its statement of defence. The case has been fixed for case management on 29 April 2008.

30. RELATED PARTY DISCLOSURES

(a) Related Party Transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

Group	2007 RM'000	2006 RM'000
Related company *:		
- Management fee paid	**5,158**	2,528
Associate:		
- Sales of products	**40,996**	30,473

Company	2007 RM'000	2006 RM'000
Subsidiaries:		
- Purchase of products	**420,809**	669,081
- Interest income	**17,340**	24,296
- Management fee received	**387**	1,309
- Advances	**20,717**	4,464
- Rental paid	**1,796**	1,796
Associate:		
- Sales of products	**40,996**	30,473
Related company*		
- Management fee paid	**3,423**	2,456

* The related company is a company within the The Straits Trading Company Limited group.

Information regarding outstanding balances arising from related party transactions as at 31 December 2007 are disclosed in Note 18 and Note 23.

30. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	**2,712**	6,603	**481**	3,419
Post-employment benefits:				
- Defined contribution plan	**181**	852	**–**	350
	2,893	7,455	**481**	3,769

Included in the total compensation of key management personnel are:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 3ii)	**855**	2,734	**481**	2,327

31. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interests rate risks, foreign currency risk, liquidity risk, credit risk and commodity price risk. The policies for managing each of these risks are summarised below. It is the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash deposits and debt obligations.

The Group's policy is to manage its exposure to interest rate risk using floating rate for bank borrowings which can be swapped to fixed interest rate to mitigate its exposure where appropriate. The Group seeks to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group also enters into cross currency swap contract to mitigate its exposure to interest rate risk for foreign currency long-term debts where appropriate.

The Group places its cash deposits with reputable banks and financial institutions with a good mix of maturity periods to obtain the most favourable interest rates and ensure funds are available when required.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

The following tables set out the carrying amounts, the range of interest rates as at the balance sheet date and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

	Note	Range of Interest Rates % per annum	Within 1 Year RM'000	1-2 Years RM'000	2-3 Years RM'000	3-4 Years RM'000	Total RM'000
At 31 December 2007							
Group							
Fixed rate							
Amount due to an associate	23	**3.70%**	**500**	**–**	**–**	**–**	**500**
Floating rate							
Cash and bank balances		**2.50% - 4.50%**	**51,524**	**–**	**–**	**–**	**51,524**
Short-term trade financing	22	**4.94% - 5.75%**	**289,239**	**–**	**–**	**–**	**289,239**
Bankers' acceptances	22	**3.70% - 3.95%**	**33,083**	**–**	**–**	**–**	**33,083**
Revolving credits	22	**5.47% - 5.78%**	**8,612**	**–**	**–**	**–**	**8,612**
Term loan	22	**4.90% - 4.94%**	**3,000**	**3,000**	**3,000**	**3,000**	**12,000**
Company							
Fixed rate							
Amount due from subsidiaries		**3.00%**	**51,973**	**–**	**–**	**–**	**51,973**
Amount due to an associate	23	**3.70%**	**500**	**–**	**–**	**–**	**500**
Floating rate							
Amount due from subsidiaries		**9.75%**	**148,647**	**–**	**–**	**–**	**148,647**
Cash and bank balances	19	**2.50% - 4.50%**	**27,642**	**–**	**–**	**–**	**27,642**
Short-term trade financing	22	**4.94% - 5.75%**	**289,239**	**–**	**–**	**–**	**289,239**
Bankers' acceptances	22	**3.70% - 3.95%**	**33,083**	**–**	**–**	**–**	**33,083**
Revolving credits	22	**5.47% - 5.78%**	**8,612**	**–**	**–**	**–**	**8,612**
Term loan	22	**4.90% - 4.94%**	**3,000**	**3,000**	**3,000**	**3,000**	**12,000**

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

	Note	Range of Interest Rates % per annum	Within 1 Year RM'000	1-2 Years RM'000	2-3 Years RM'000	3-4 Years RM'000	Total RM'000
At 31 December 2006							
Group							
Fixed rate							
Amount due from an associate	18	8.00%	556	–	–	–	556
Floating rate							
Cash and bank balances		2.40% - 4.46%	99,660	–	–	–	99,660
Short-term trade financing	22	5.49% - 5.58%	224,162	–	–	–	224,162
Bankers' acceptances	22	3.95% - 4.06%	10,264	–	–	–	10,264
Revolving credits	22	5.93% - 6.20%	45,923	–	–	–	45,923
Term loan	22	7.45%	2,932	–	–	–	2,932
Company							
Fixed rate							
Amount due from subsidiaries		3.00%	53,845	–	–	–	53,845
Amount due from an associate	18	8.00%	556	–	–	–	556
Floating rate							
Amount due from subsidiaries		9.75%	163,374	–	–	–	163,374
Cash and bank balances		2.40% - 4.46%	81,353	–	–	–	81,353
Short-term trade financing	22	5.49% - 5.58%	224,162	–	–	–	224,162
Bankers' acceptances	22	3.95% - 4.06%	10,264	–	–	–	10,264
Revolving credits	22	5.93% - 6.20%	45,923	–	–	–	45,923
Term loan	22	7.45%	2,923	–	–	–	2,923

(c) Foreign Exchange Risk

The Group and the Company have exposure to fluctuations in foreign exchange rates in both the investment in foreign entities and business transactions. The Group has foreign exchange risk exposure mainly in United States Dollar, Australian Dollar and Indonesian Rupiah. The Group's policy is to manage its exposure to foreign exchange risk on investment in foreign entities by using term loan with the same foreign currency to hedge such investments.

Due to concentration of its purchases and sales in United States Dollar, there is a natural hedge and the exposure to United States Dollar foreign exchange risk is minimised. The Company also uses forward foreign exchange contracts to hedge its exposure to foreign exchange risk.

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk (cont'd)

The net unhedged financial assets and liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Group

At 31 December 2007	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies		
Functional currencies of Group Companies	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Total RM'000**
United States Dollar	**(172,645)**	**–**	**(172,645)**
Indonesian Rupiah	**–**	**(11,289)**	**(11,289)**
Singapore Dollar	**–**	**17**	**17**
Australian Dollar	**1,888**	**20**	**1,908**
Ringgit Malaysia	**–**	**(12)**	**(12)**
	(170,757)	**(11,264)**	**(182,021)**

At 31 December 2006			
Functional currencies of Group Companies			
United States Dollar	(140,253)	–	(140,253)
Indonesian Rupiah	–	8,058	8,058
Singapore Dollar	19	(138)	(119)
Australian Dollar	(2,676)	(456)	(3,132)
Euro	5,574	(18)	5,556
Danish Krone	–	(74)	(74)
	(137,336)	7,372	(129,964)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk (cont'd)

As at balance sheet date, the Group and the Company had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Maturities Within 1 Year RM'000	1 Year up to 5 Years RM'000	Total Notional Amount RM'000
At 31 December 2007				
Forwards used to hedge anticipated purchases	Indonesia Rupiah	**28,156**	–	**28,156**
Forwards used to hedge anticipated purchases	United States Dollar	**10,438**	–	**10,438**
Forwards used to hedge anticipated sales	United States Dollar	**26,057**	–	**26,057**
		64,651	–	**64,651**
At 31 December 2006				
Forwards used to hedge anticipated purchases	Indonesia Rupiah	13,070	–	13,070
Forwards used to hedge anticipated purchases	United States Dollar	5,384	–	5,384
Forwards used to hedge anticipated sales	United States Dollar	42,812	–	42,812
		61,266	–	61,266

At 31 December 2007, there was unrecognised gains of RM0.4 million (2006: RM0.8 million) on forward contracts used to hedge anticipated sales and unrecognised loss of RM0.1 million (2006: Unrecognised gains of RM0.8 million) on forward contracts used to hedge anticipated purchases of the Group and of the Company using the exchange rate at balance sheet date.

(d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity risk management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short–term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

The carrying amount of trade and other receivables, amount due from associates, cash and bank balances and deposits represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risks, or the risk of counterparties defaulting are controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures. The Group places its cash deposits with reputable banks and financial institutions.

The Group does not have any significant exposure to any individual customer or group of customers.

31. FINANCIAL INSTRUMENTS (CONT'D)

(f) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs. The Group is exposed to commodity price risk arising from revenue derived from sales of tin as well as to the impact of crude oil prices on the cost of fuel consumed in the mining and processing of tin.

The tin price risk is managed through contractual arrangements with customers and derivative instruments such as forward sales contracts.

(g) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values.

The methods and assumptions used by the management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair value are as follows:

i. Cash, Bank Balances, Deposits, Other Receivables and Other Payables
The carrying amounts of cash, bank balances, deposits, other receivables and other payables approximate fair value due to their short–term nature.

ii. Trade Receivables, Trade Payables and Bank Borrowings
The carrying amounts of trade receivables and trade payables approximate fair value because these are subject to normal trade credit terms. The carrying value of bank borrowings approximate the fair value as these bank borrowings bear interest at rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

iii. Amounts due from/to Subsidiaries and Associates
The amounts due from/to subsidiaries and associates approximate fair value because they are payable on demand or on normal credit terms.

iv. Forward foreign exchange contracts
The fair value of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

v. Quoted investments
The fair value of quoted investments are determined by reference to stock exchange quoted market prices at the closing of the business on the balance sheet date.

32. SEGMENTAL INFORMATION

(a) Reporting Format

The Company and its principal subsidiaries operate principally within one industry which is tin mining and tin smelting. The Group operates mainly in two geographical areas namely, Malaysia and Indonesia. Geographical segment revenue and assets are based on geographical location of the Group's assets. Segment accounting policies are the same as the policies as described in Note 2, inter-segment sales where applicable are based on terms determined on a commercial basis.

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment. There is no unallocated items.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include inter company transactions. These inter company transactions are eliminated on consolidation.

32. SEGMENTAL INFORMATION (CONT'D)

Geographical Segments

The following tables provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segment:

	Note	Malaysia RM'000	Indonesia RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
31 December 2007						
Revenue						
Sales to external customers		1,896,790	16,353	–	–	1,913,143
Inter-segment sales		55,541	367,273	–	(422,814)	–
Total revenue		1,952,331	383,626	–	(422,814)	1,913,143
Results						
Segment results		75,340	71,066	(72)	(11,438)	134,896
Finance costs		(15,266)	(15,753)	(942)	17,341	(14,620)
Share of profit of associates		–	–	–	719	719
Profit/(Loss) before tax		60,074	55,313	(1,014)	6,622	120,995
Income tax expense		(11,855)	(29,919)	–	(1,005)	(42,779)
Net profit/(loss) for the year		48,219	25,394	(1,014)	5,617	78,216
Assets						
Segment assets		647,629	380,980	62,323	(277,988)	812,944
Investments in associates		22,210	–	–	6,254	28,464
Total assets		669,839	380,980	62,323	(271,734)	841,408
Liabilities						
Segment liabilities		388,664	228,231	30,917	(201,947)	445,865
Total liabilities		388,664	228,231	30,917	(201,947)	445,865
Other segment information						
Capital expenditure	9	7,814	6,655	–	–	14,469
Depreciation	9	3,389	9,841	–	–	13,230
Amortisation of prepaid land lease payments	10	131	31	–	–	162
Amortisation of mining rights	12	42	–	–	1,775	1,817
Amortisation and write off of deferred mine exploration and development expenditure	16	411	5,762	–	–	6,173
Other significant non-cash expenses:						
- Provision for mine rehabilitation	21	–	217	–	–	217
- Provision for severance benefits	21	–	5,442	–	–	5,442
- Provision for write down of inventory value		–	32,060	–	–	32,060

32. SEGMENTAL INFORMATION (CONT'D)

Geographical Segments (cont'd)

	Note	Malaysia RM'000	Indonesia RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
31 December 2006						
Revenue						
Sales to external customers		1,637,322	382	–	–	1,637,704
Inter-segment sales		29,720	642,595	–	(672,315)	–
Total revenue		1,667,042	642,977	–	(672,315)	1,637,704
Results						
Segment results		67,353	44,117	(48)	(24,652)	86,770
Finance costs		(16,828)	(27,656)	(975)	24,296	(21,163)
Share of profit of associates		–	–	–	(927)	(927)
Profit/(Loss) before tax		50,525	16,461	(1,023)	(1,283)	64,680
Income tax expense		(11,885)	(8,955)	–	628	(20,212)
Net profit/(loss) for the year		38,640	7,506	(1,023)	(655)	44,468
Assets						
Segment assets		580,896	362,169	62,317	(293,764)	711,618
Investments in associates		13,253	–	–	5,166	18,419
Total assets		594,149	362,169	62,317	(288,598)	730,037
Liabilities						
Segment liabilities		350,245	230,181	31,910	(221,548)	390,788
Total liabilities		350,245	230,181	31,910	(221,548)	390,788
Other segment information						
Capital expenditure	9	311	2,156	–	–	2,467
Depreciation	9	2,733	12,387	–	–	15,120
Amortisation of prepaid land lease payments	10	137	33	–	–	170
Amortisation of mining rights	12	–	–	–	1,574	1,574
Amortisation and write off of deferred mine exploration and development expenditure	16	333	7,670	–	–	8,003
Other significant non-cash expenses:						
- Provision for diminution in value of investment in an associate		1,873	–	–	(1,526)	347
- Provision for diminution in value of other investments		271	–	–	–	271
- Provision for mine rehabilitation	21	–	2,201	–	–	2,201
- Provision for severance benefits	21	–	4,981	–	–	4,981
- Provision for write down of inventory value		–	13,700	–	–	13,700

33. SIGNIFICANT EVENTS

The following were significant events during the financial year:

(a) On 5 March 2007, a subsidiary company entered into a Share Purchase Agreement with four parties to acquire their 120,000 shares of USD1 each representing 60% of the paid up capital of PT Tenaga Anugerah, a company incorporated in Indonesia, for a cash consideration of RM411,000 (USD120,000). On 28 December 2007, PT Tenaga Anugerah entered into a Mining Cooperation Agreement with PT Sarana Marino (PT SM) to explore and mine tin reserves in several offshore mining concessions held by PT SM. The capital investment required to implement the offshore mining venture is estimated at RM18.2 million (USD5.5 million) including an upfront payment of RM15.6 million (USD4.7 million) to PT SM as consideration for the acquisition of the mining rights. Based on 60% shareholding, MSC's contribution towards the capital investment will be RM10.8 million (USD3.3 million).

(b) On 16 August 2007, the Company entered into a Heads of Agreement (HOA) with Metal Resources Capital Limited (MERC) in relation to the intention of the Company and MERC to collaborate in the development of tin and other mineral resources in Indonesia.

(c) On 18 September 2007, the Company entered into an Underwriting Agreement with its associate, Australia Oriental Minerals NL (AOM) relating to its renounceable rights issue exercise. Upon completion of the exercise in October 2007, the Company had subscribed a total of 226,863,490 new shares amounting to approximately RM5.5 million (AUD 1.8 million) and the Company's direct shareholding in AOM has increased from 39.45% to 49.11%.

(d) On 28 October 2007, the Company 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 the smelting and refining of tin, and the production and sale of tin and tin–based products in the People's Republic of China. The proposed joint venture is expected to be completed in the first quarter of 2008.

(e) On 21 December 2007, the Company entered into a Subscription Agreement, a Share Issuance Agreement and a Nomination Agreement with Asian Mineral Resources Limited (AMRL), a public company listed on TSX Venture Exchange, Canada. The Company has subscribed for 11,428,571 purchased units at a subscription price of C$1.75 per unit comprising 11,428,571 common shares in AMRL, with 6,799,999 detachable warrants in AMRL, representing 12.8% of the enlarged issued and paid–up share capital of AMRL, for a total cash consideration of approximately RM67.0 million (C$20.0 million) pursuant to a non–brokered private placement by AMRL which was completed on 21 December 2007 (Toronto time). Each purchased unit consists of one (1) common share and 0.595 warrant whereby each warrant entitles the holder to acquire one (1) fully paid and non–assessable common share at an exercise price of C$2.10.

(f) On 1 August 2007, the three executive directors of PT Koba Tin, who were charged with the collection of tin ore from small scale miners operating outside its Contract of Work area arising from an investigation by a special Indonesian National Police task force on 23 January 2007 were fully acquitted of all criminal charges. Subsequently, PT Koba was granted approval to resume small scale mining operations within its Contract of Work under a new sub–contracting arrangement.

34. SUBSEQUENT EVENTS

(a) On 29 January 2008, the Company announced that the local police force in Bangka, Indonesia had asked PT Koba Tin to stop receiving tin ore from its sub–contractors and to cease production of tin ingots. This was to facilitate the police to carry out investigations following allegations that two of PT Koba Tin's appointed sub–contractors had been mining in a forest area within PT Koba Tin's Contract of Work area where mining is prohibited. PT Koba Tin's internal control measures and investigations have, however, confirmed that all production from its appointed sub–contractors have been derived from mining activities carried out within the Contract of Work and outside the forest area.

(b) On 12 February 2008, the Company had entered into a conditional Subscription Agreement with Beaconsfield Gold NL (BCD), a company listed on the Australian Stock Exchange, to subscribe for 70,000,000 common shares representing approximately 19% of the enlarged issued and paid–up share capital of BCD for a total cash consideration of approximately RM57 million (AUD 19.6 million). The subscription was completed on 3 March 2008.

(c) On 12 March 2008, the Company announced that it is proposing to subscribe for 6,799,999 Common Shares of Asian Mineral Resources Limited arising from the exercise of the 6,799,999 Warrants, hereby shall be exercisable at any time and from time to time at or prior to 30 April 2008 at an exercise price of C$2.10 per warrant for a total cash consideration of approximately RM45.77 million (C$14.3 million).

(d) Further to the announcement of the Company to Bursa Malaysia Securities Berhad on 7 January 2008, The Cairns Private Limited, a company incorporated in Singapore became the ultimate holding company of the Company when its voluntary conditional cash offer for The Straits Trading Company Limited turned unconditional on 4 March 2008. The closing date of the cash offer has been extended to 5.30pm on 3 April 2008. The Straits Trading Company Limited remains as the immediate holding company.

LIST OF PROPERTIES OF THE GROUP

31 DECEMBER 2007

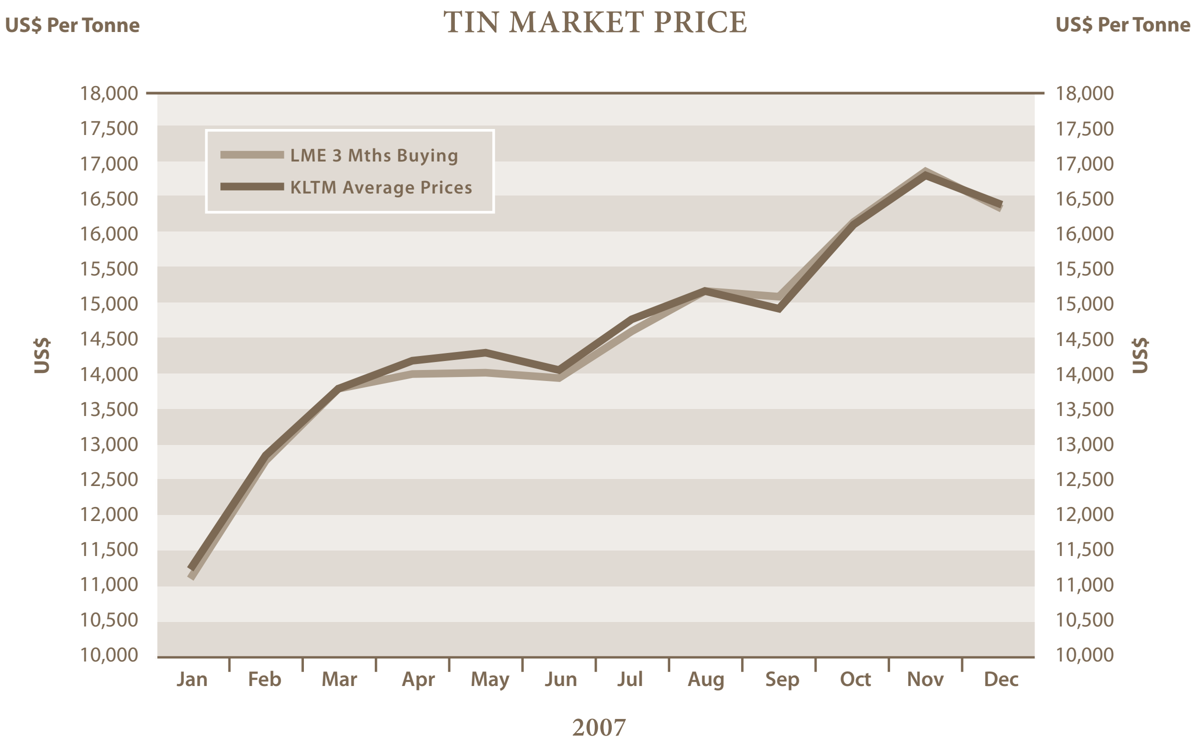
Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31.12.07 RM'000	Date of last revaluation/ acquisition
MALAYSIA							
1. 27 Jalan Pantai 12000 Butterworth							
a) Lot 142-187 and 362	Land with offices and factory buildings	12.5 acres	Freehold	–	3 - 54 years	21,738	2003
b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	20 years	608	2003
c) Lot 263	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2006*	NA	23	2003
2. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	8 years	990	2003
3. Unit No. B-15-6, B15-7 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,786 sq. ft.	Freehold	–	8 years	1,827	2007
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	7 years	3,960	2003
5. Lot 1203, Mukim 12 Daerah Seberang Perai Tengah	Vacant Land	0.422 acres	Freehold	–	NA	109	2003
6. Mukim Belukar Semang and Mukim Pengkalan Hulu Daerah Hulu Perak							
a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 40 years	160	2004
b) Lot 1886	Vacant Land	0.78 hectares	Freehold	–	–	7	2004
c) Lot 1868, 2071, 2163, 879, 880, PT3375	Land with buildings	10.29 hectares	Leasehold	2007*-2062	26 - 67 years	232	2004
INDONESIA							
7. PT Koba Tin Bangka Island	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	10 - 35 years	2,792	2005
8. PT MSC Indonesia Bangka Island	Land & Buildings	17,094 sq. ft	Leasehold (Land Rights)	2034	13 - 18 years	1,027	2004
9. PT MSC Indonesia Bangka Island	Land & Buildings	20,990 sq. ft	Leasehold (Land Rights)	2019	2 years	1,056	2005

* Application for renewal of lease had been made.

TIN STATISTICS

	KLTM Prices Highest US$ Per Tonne	Lowest US$ Per Tonne	Average US$ Per Tonne	KLTM Turnover Tonnes	LME 3 Mths Buying Average US$ Per Tonne
2003	6,610	4,251	4,890	12,426	4,900
2004	9,890	6,420	8,493	19,323	8,347
2005	8,580	6,050	7,355	19,427	7,337
2006	12,000	6,650	8,765	13,857	8,713
2007	17,250	10,050	14,523	14,757	14,500
2007					
January	12,260	10,050	11,287	1,351	11,196
February	14,070	11,800	12,788	1,395	12,754
March	14,500	13,125	13,798	1,250	13,799
April	15,100	13,650	14,182	904	13,987
May	14,800	13,910	14,218	1,106	13,989
June	14,300	13,955	14,063	986	13,969
July	16,250	13,900	14,603	1,262	14,630
August	16,750	13,700	15,125	1,255	15,183
September	15,300	14,650	14,964	1,637	15,092
October	17,050	15,250	16,060	1,404	16,199
November	17,250	16,000	16,762	1,257	16,783
December	16,999	16,000	16,428	950	16,421

TIN MARKET PRICE

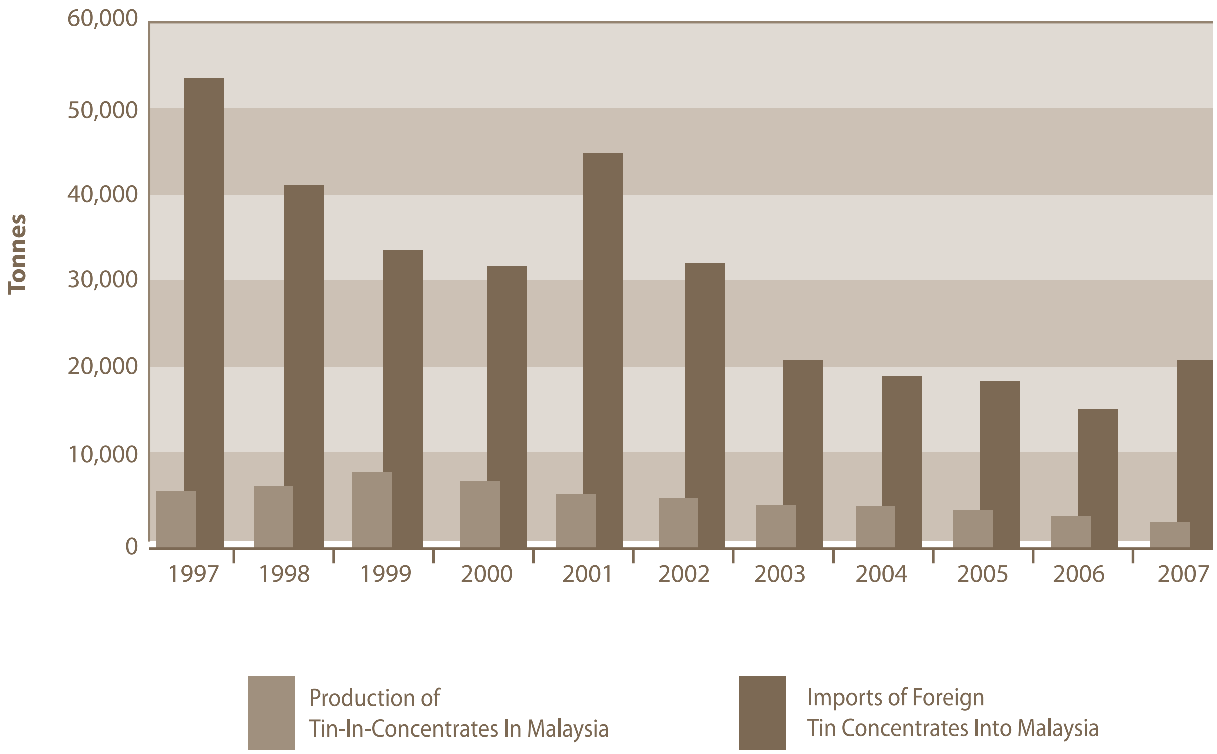


PRODUCTION OF TIN-IN-CONCENTRATES IN MALAYSIA	
Year	Tonnes
1997	5,060
1998	5,764
1999	7,340
2000	6,307
2001	4,972
2002	4,215
2003	3,358
2004	2,746
2005	3,013
2006	2,634
2007	2,300 (estimate)

IMPORTS OF FOREIGN TIN CONCENTRATES INTO MALAYSIA	
Year	Tonnes
1997	52,954
1998	40,547 *
1999	32,955
2000	31,297
2001	44,410
2002	31,788
2003	20,183
2004	18,916
2005	17,708
2006	15,064
2007	20,643

* After the closure of Escoy Smelting Sdn. Bhd. in mid 1998. MSC became the sole tin smelter in Malaysia.

MALAYSIA PRODUCTION AND IMPORT OF TIN CONCENTRATES



Deliveries of Refined Tin From Penang

(Tonnes Refined Tin by reported destination)

Destination	2003	2004	2005	2006	2007
Africa	1,031	1,313	1,257	1,340	957
Australia & New Zealand	1,757	1,223	127	249	21
China	140	40	40	560	220
EEC (incl. UK)	1,165	1,431	2,669	1,623	1,457
India, Pakistan & Bangladesh	352	825	794	1,141	1,521
Japan	1,723	3,381	2,063	1,985	2,639
Middle East	805	705	812	515	532
Taiwan	680	1,690	1,524	1,043	1,345
Korea	4,466	7,560	8,480	5,980	5,776
Rest of Asia Pacific	11	105	56	–	–
Singapore	2,664	9,421	14,645	5,400	4,968
USA	263	1,235	480	10	–
	15,057	**28,929**	**32,947**	**19,846**	**19,436**
Malaysia#	3,444	3,815	3,437	4,806	3,334
Total	**18,501**	**32,744**	**36,384**	**24,652**	**22,770**

Domestic consumption & deliveries to LME warehouses

LME AND U.S DLA'S STOCKS & DISPOSALS (IN TONNES)			
PERIOD END	**LME STOCKS ***	**DLA STOCKS #**	
2007			
1st Quarter	9,635	Opening stock at 1.1.07	8,084
2nd Quarter	12,335	Disposals during the year	365
3rd Quarter	14,155	Closing stock at 31.12.07	7,719
4th Quarter	12,100		

Sources: * Metal Bulletin
US Geological Survey - uncommitted stock

SHAREHOLDINGS STATISTICS
AS AT 12 MARCH 2008

ANALYSIS BY SIZE OF SHAREHOLDERS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
less than 100	3	0.25	133	0.00
100 to 1,000	698	57.26	655,267	0.87
1,001 to 10,000	385	31.58	1,500,300	2.00
10,001 to 100,000	99	8.12	3,744,800	4.99
100,001 to less than 5% of issued shares	30	2.46	18,238,700	24.32
5% and above of issued shares	4	0.33	50,860,800	67.82
TOTAL	**1,219**	**100.00**	**75,000,000**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	NAME	HOLDINGS	%
1	MAYBAN NOMINEES (ASING) SDN BHD FOR THE STRAITS TRADING COMPANY LIMITED	28,090,000	37.45
2	STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	10,073,900	13.43
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD FOR STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	7,300,600	9.74
4	MAYBAN NOMINEES (ASING) SDN BHD FOR SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	7.20
5	MAYBAN NOMINEES (ASING) SDN BHD FOR BAXTERLEY HOLDINGS PRIVATE LIMITED	3,700,000	4.93
6	HSBC NOMINEES (ASING) SDN BHD FOR AN FOR MORGAN STANLEY & CO. INCORPORATED	2,493,000	3.32
7	HSBC NOMINEES (TEMPATAN) SDN BHD FOR NOMURA ASSET MGMT MALAYSIA FOR EMPLOYEES PROVIDENT FUND	2,469,400	3.29
8	RHB NOMINEES (ASING) SDN BHD FOR OCBC SECURITIES PRIVATE LIMITED FOR TECITY MANAGEMENT PTE LTD	1,750,000	2.33
9	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD (LIFE PAR FUND)	948,200	1.26
10	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD. AJIB BIN HJ. ANUAR	650,000	0.87
11	CITIGROUP NOMINEES (ASING) SDN BHD FOR GSCO FOR TGEM ASIA LP	493,700	0.66
12	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR KUMPULAN WANG SIMPANAN PEKERJA	432,600	0.58

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

	NAME	HOLDINGS	%
13	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	423,000	0.56
14	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	402,900	0.54
15	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN GENERAL ASSURANCE BERHAD	371,400	0.50
16	GAN AH KOW	364,400	0.49
17	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN LIFE ASSURANCE BERHAD	310,000	0.41
18	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD (GENERAL FUND)	302,100	0.40
19	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN LIFE ASSURANCE BERHAD	300,000	0.40
20	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN LIFE ASSURANCE BERHAD	290,000	0.39
21	REDRING SOLDER (MALAYSIA) SDN BHD	283,000	0.38
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD (LIFE ANNUITY FD)	277,300	0.37
23	HDM NOMINEES (ASING) SDN BHD FOR DBS VICKERS SECS (S) PTE LTD FOR NORMAN KA CHEUNG IP	250,000	0.33
24	DOMAIN ADVISORY SDN BHD	200,000	0.27
25	GAN AH KOW	186,600	0.25
26	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN GENERAL ASSURANCE BERHAD	180,000	0.24
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA TAKAFUL BERHAD	180,000	0.24
28	LAI FOOK HOY	157,000	0.21
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR HAMIDON BIN ABDULLAH	150,000	0.20
30	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MD AJIB BIN HJ ANUAR	150,000	0.20
	TOTAL	**68,575,400**	**91.44**

LIST OF SUBSTANTIAL SHAREHOLDERS

	Name	Direct (No. of Shares)	Percentage %	Deemed Interest (No. of shares)	Percentage %
1.	THE STRAITS TRADING COMPANY LIMITED	28,090,000	37.45	26,780,800	35.71
2.	STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	17,374,500	23.17	–	
3.	SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	7.20		
4.	THE CAIRNS PRIVATE LIMITED*	–	–	54,870,800	73.16

* Further to the announcement of the Company to Bursa Malaysia Securities Berhad on 7 January 2008, The Cairns Private Limited, a company incorporated in Singapore became the ultimate holding company of the Company when its voluntary conditional cash offer for The Straits Trading Company Limited turned unconditional on 4 March 2008. The closing date of the cash offer has been extended to 5.30pm on 3 April 2008. The Straits Trading Company Limited remains as the immediate holding company.

PROXY FORM

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

I/We ____ (full name in block letters)

of ____ (address)

being a member/members of **MALAYSIA SMELTING CORPORATION BERHAD** hereby appoint

NAME	ADDRESS	NRIC/ PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS %

And/or (delete as appropriate)

NAME	ADDRESS	NRIC/ PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS %

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on Tuesday 22 April 2008 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO	RESOLUTIONS	FOR	AGAINST
1	Adoption of the Report of the Directors and the Audited Financial Statements		
2	Declaration of Dividend		
3	Re-election of Director - Mr. Norman Ip Ka Cheung		
4	Re-election of Director - Ms. Victoria Ko Miu Ha		
5	Reappointment of Director - Mr. Choi Siew Hong		
6	Approval of Directors' Fees		
7	Reappointment of Auditors		

Dated this __________ day of __________ 2008

Total Number of shares	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT : PLEASE READ NOTES BELOW

Notes :

- *A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Act shall not apply to the Company.*
- *To be valid this form, duly completed must be deposited at the Registered Office of the Company at B-15-11, Block B, 15th Floor, Unit 11,Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time of the holding of the meeting.*
- *A member shall be entitled to appoint more than one(1) proxy to attend and vote at the same meeting*
- *Where a member appoints more than one(1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
- *If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.*

Fold along this line

Affix
Postage
Here

To:

The Company Secretary
MALAYSIA SMELTING CORPORATION BERHAD (Co. No. 43072-A)
B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

Fold along this line

REGISTERED OFFICE

B-15-11 Block B, 15th Floor, Unit 11, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Tel: (+603) 2166 9260/61 • Fax: (+603) 2166 6599 • www.msmelt.com

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