MSC Malaysia Smelting Corporation Berhad
(Incorporated in Malaysia)
Company No. 43072-A

annual report 2008

Moving ahead with **PERSEVERANCE**

annual report 2008

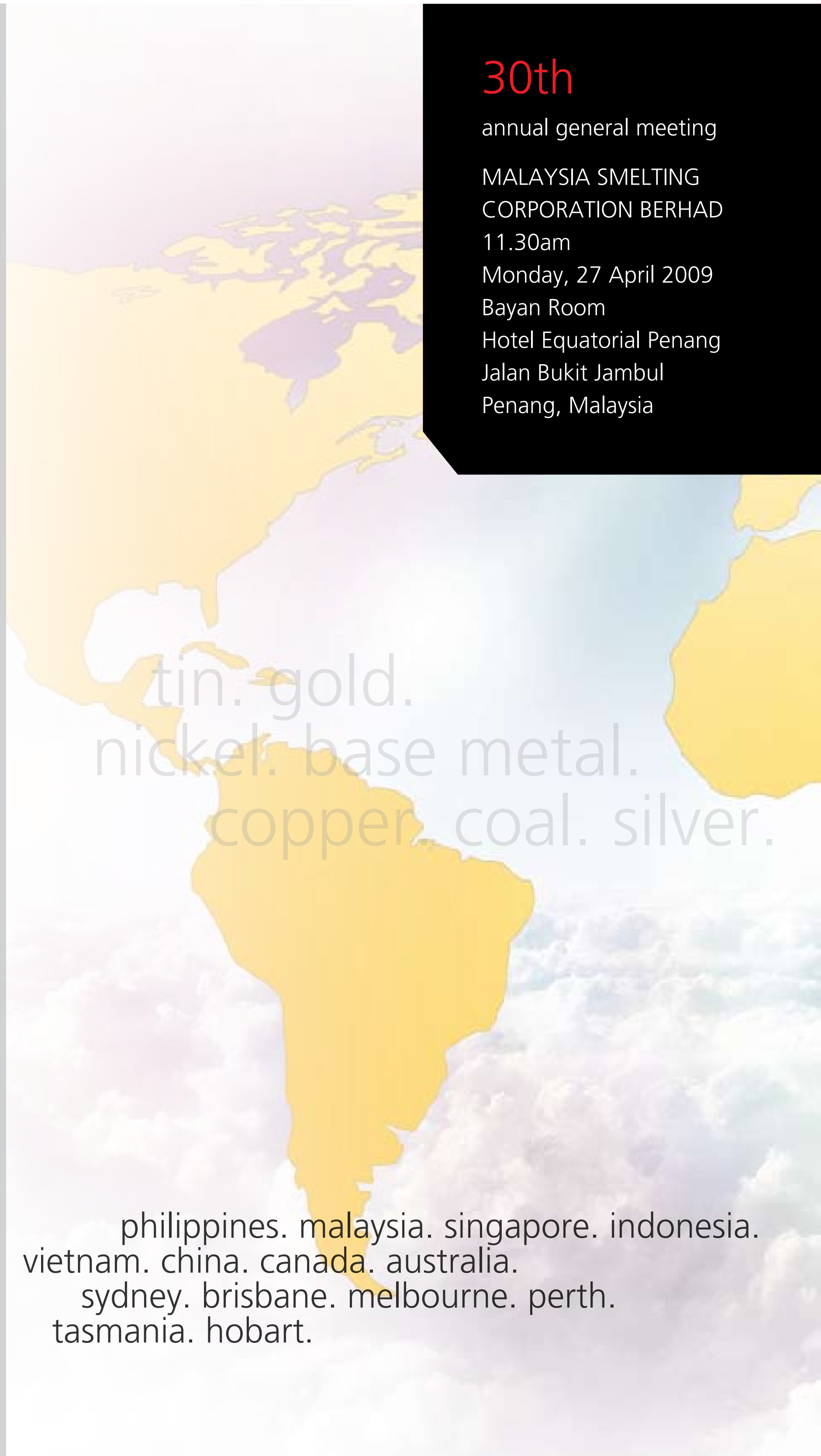
Rugged terrains. Unpredictable weather. Tireless efforts that do not necessarily yield results.

These are not new to exploration - the life blood of the mining industry. Geologists and mining engineers have to endure the harshest conditions, beholden to their belief that there is treasure beneath the earth, elusive to the naked eye, yet attainable when one proceeds with the right know-how, never give up attitude and luck. The mining industry exacts nothing less than tremendous grit, resilience and instinct to succeed. At a time enveloped with unprecedented economic uncertainty, it is only natural we adopt the same attitude to ensure our continued survival. With perseverance, we will prevail these turbulent times.

contents

30th
annual general meeting

MALAYSIA SMELTING
CORPORATION BERHAD
11.30am
Monday, 27 April 2009
Bayan Room
Hotel Equatorial Penang
Jalan Bukit Jambul
Penang, Malaysia



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

our 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. Rapu Rapu Polymetallic Mine
12. PT Tenaga Anugerah
13. PT Asiatic Coal Nusantara

▲ Tin
▲ Gold
▲ Nickel
▲ Base Metal
▲ Coal

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. The Group embarked on a diversification strategy in 2007 intended to transform the Company from a single commodity business focused on tin to 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.

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 two subsidiaries - 75% owned PT Koba Tin and wholly owned PT MSC Indonesia. Its previously 60% owned PT Tenaga Anugerah has been restructured with MSC reducing its shareholding to 40%, held via Diversified Minerals Pte Ltd.

PT Koba Tin operates an onshore dredge 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 for 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 and with the restructuring has secured the participation of PT Sarana Marindo, an Indonesian company with strong local management and extensive experience in offshore mining in Indonesia.

The Group has also gained a foothold in the Australian mining industry with its 42.7% equity interest in Australia Oriental Minerals NL (AOM). AOM in association with partners is currently undertaking exploration for tin and base metals 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 tin lead and lead free solder products for jointing and semiconductor 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 current stake in this joint venture is 35%. 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.

Other metals and minerals

Gold, copper, nickel and coal 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

In line with this diversification strategy, MSC acquired interest in a nickel project in December 2007 and currently holds an equity stake of 18.2% in Asian Mineral Resources Limited (AMR). AMR's nickel project in Vietnam offers high grade massive sulphide nickel deposit which is to be developed to become low cost nickel producer. However due to adverse market conditions, the development of this mine is currently suspended.

In March 2008, MSC acquired 22.48% 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.

In April 2008, MSC entered into a Framework agreement with Philco Resources Limited, LG International Corporation and Korea Resources Corporation which allows for MSC's 30% participation in the Rapu Rapu polymetallic mine in the Philippines which produces copper, zinc, gold and silver. Turnaround of operations are ongoing at present, although any real stride in production would need to be in tandem with improved market conditions.

MSC's entry into the energy commodity sector was achieved in July 2008 when the Company acquired 30% interest in Asiatic Coal Private Limited with its associate, Australia Oriental Minerals NL securing another 30% interest. Asiatic Coal Private Limited, through its 99.9% subsidiary, PT Asiatic Coal Nusantara has secured an exclusive right to mine and market coal in an area of approximately 4,500 hectares in Central Kalimantan Province, Indonesia. Drilling has confirmed the presence of coal seams intersections of anthracite and high bituminous coal that has a high calorific value in the range of up to 7,500 to 8,100 kcal per kilogram with high carbon, low ash and moisture content. Preliminary excavation work has already commenced during the last quarter of 2008.

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
Mr Yeo Eng Kwang

EXECUTIVE DIRECTOR
Dato' Seri 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' Seri 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
(President Director, PT Koba Tin)
En Omar Mohd Alwi
(President Director, PT MSC Indonesia)
En Mohamed Yakub Ismail
(General Manager, Rahman Hydraulic Tin Sdn Bhd)

REGISTERED, CORPORATE & MARKETING OFFICE

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

BUTTERWORTH SMELTER

27 Jalan Pantai
12000 Butterworth
Penang, Malaysia
T: (604) 333 3500
F: (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
T: (62) (21) 251 1566
F: (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
T: (62) (21) 5793 9120/1
F: (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
T: (603) 2721 2222
F: (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
The Bank of Nova Scotia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad Main Board

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at Bayan Room, Hotel Equatorial Penang, Jalan Bukit Jambul, Penang, Malaysia on Monday, 27 April 2009 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 2008 and the Report of the Directors and Auditors thereon be and are hereby received and adopted."
2. "THAT En Razman Ariffin, 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."
3. "THAT Mr Yeo Eng Kwang, 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."
4. "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."
5. "THAT the Directors' fees of RM315,000 in respect of the year ended 31 December 2008 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."
6. "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."
7. **AS SPECIAL BUSINESS:**

   "THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Board of Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."
8. To transact any other business of an Annual General Meeting.

BY ORDER OF THE BOARD
Sharifah Faridah Abd Rasheed
Company Secretary
Kuala Lumpur
Date: 3 April 2009

Notes:

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.

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.

If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

Explanatory Note on Special Business:

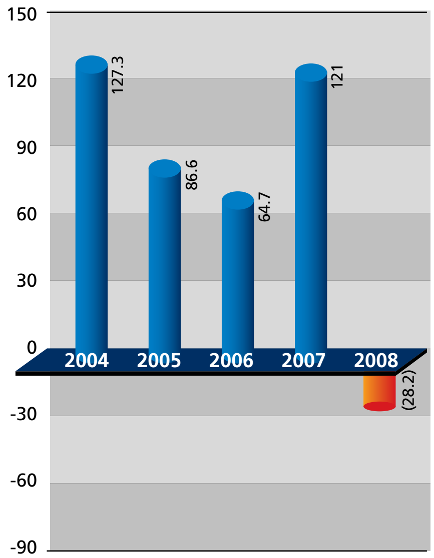
The proposed ordinary resolution 7 above, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting subject to the limitation that the aggregate number of shares to be issued do not exceed ten per cent (10%) of the issued share capital of the Company for the time being. This authority will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

GROUP FINANCIAL HIGHLIGHTS

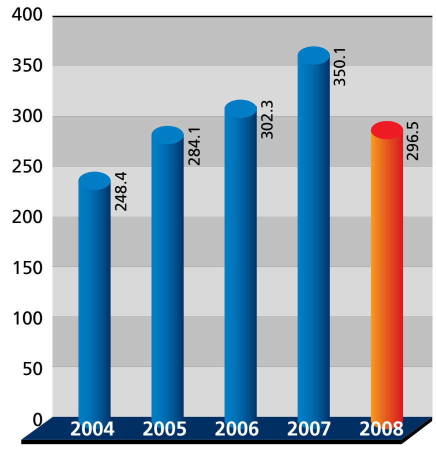
		Year Ended 31st December				
		2004 Restated	2005 Restated	2006	2007	2008
Revenue	(RM Mil)	1,862.5	1,692.8	1,637.7	1,913.1	**2,276.4**
Profit/(Loss) before taxation	(RM Mil)	127.3	86.6	64.7	121.0	**(28.2)**
Taxation	(RM Mil)	(45.6)	(22.6)	(20.2)	(42.8)	**(18.6)**
Profit/(Loss) attributable to shareholders	(RM Mil)	61.2	56.7	41.5	67.4	**(46.8)**
Total assets	(RM Mil)	670.4	757.1	730.0	841.4	**1,062.5**
Net current assets	(RM Mil)	181.4	152.4	215.1	177.6	**33.1**
Shareholders' funds	(RM Mil)	248.4	284.1	302.3	350.1	**296.5**
Earnings/(Loss) per share	(sen)	82	76	55	90	**(62)**
Gross dividend paid per share	(sen)	29	40	23	20	**28**
Net assets per share attributable to shareholders of the Company	(sen)	331	379	403	467	**395**
Pre-tax return/(loss) on average shareholders' funds	(%)	56	32	22	37	**(9)**

Restated due to implementation of new Financial Reporting Standards in 2006

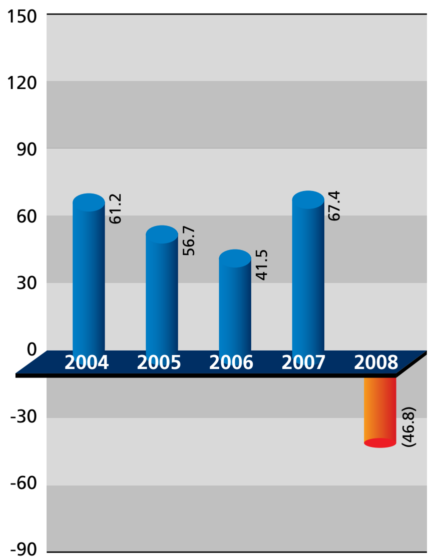
GROUP FINANCIAL HIGHLIGHTS (CONT'D)



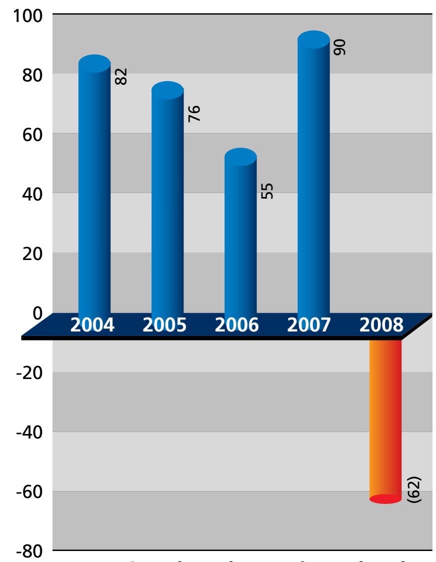
Profit/(Loss) Before Taxation (RM Mil)



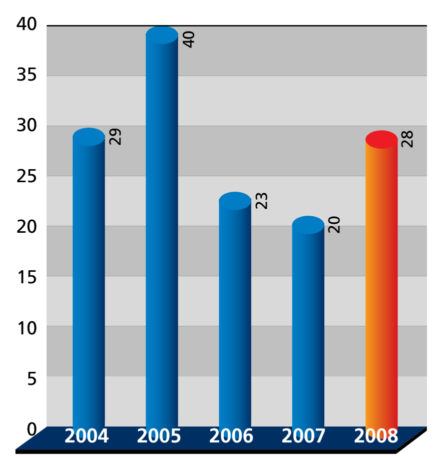
Shareholders'Funds (RM Mil)



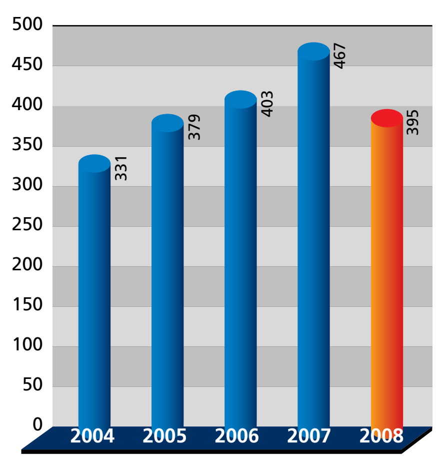
Profit/(Loss) Attributable to Shareholders (RM Mil)



Earning/(Loss) Per Share (sen)



Gross Dividen Paid Per Share (sen)



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

DIRECTORS' PROFILE

1 MR NORMAN IP KA CHEUNG

2 YBHG DATO' SERI DR MOHD AJIB ANUAR

3 MR CHOI SIEW HONG

1 MR NORMAN IP KA CHEUNG (CHAIRMAN)

Mr Norman Ip Ka Cheung is a British subject aged 56 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 sits on the Audit Committee and the Nominating Committee. A fellow of the Institute of Chartered Accountants in England and Wales, Mr Ip graduated with a BSc (Econs) Degree from the London School of Economics and Political Science.

Mr Ip is presently the President and Group 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 serves on the Boards of WBL Corporation Limited and Australia Oriental Minerals NL, companies listed in Singapore and Australia respectively as well as several private limited companies in Malaysia, Singapore and Australia.

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

2 YBHG DATO' SERI DR MOHD AJIB ANUAR

YBhg Dato' Seri Dr Mohd Ajib Anuar is a Malaysian aged 59 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' Seri 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). He is also a director of the Company's listed associates in Australia, Beaconsfield Gold NL and Australia Oriental Minerals NL.

Prior to his appointment as the CEO of the Company, YBhg Dato' Seri 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 to 1993) as well as Chairman of the Malaysian Futures Clearing Corporation (1990 to 1993).

YBhg Dato' Seri 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.

3 MR CHOI SIEW HONG

Mr Choi Siew Hong is a Malaysian aged 87 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. He then became the Chairman of OCBC Bank (Malaysia) Berhad until October 1997 when he was reappointed as the Chairman of Pacific Bank until his retirement from that position at the end of June 2008.

Currently, Mr Choi Siew Hong sits on the boards of United Malacca Berhad, Malaysian Trustees Berhad as well as 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.

4 EN RAZMAN ARIFFIN

En Razman Ariffin is a Malaysian aged 61 years. He was appointed to the Board of the Company in 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 First Class Honours in Mining Engineering.

His involvement in the mining, metallurgical and energy industries spans over 35 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. He was then 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 and 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 as well as several private companies and is the Chairman of PT Koba Tin.

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

5 MS VICTORIA KO MIU HA

Ms Ko is a Singaporean aged 51 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 Masters 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.

6 MR YEO ENG KWANG

Mr Yeo is a Singaporean aged 35 years. He was appointed to the Board as a Non-Independent Non-Executive Director on 2 September 2008.

Mr Yeo graduated from the Nanyang Technological University of Singapore with a Bachelor of Business Degree specializing in Financial Analysis. He was awarded with Ernst & Young Gold Medal for derivatives securities analysis and is also the holder of the CFA Charter since 2002.

Mr Yeo currently serves as the Senior Portfolio Manager of Tecity Group of Companies, which is a major shareholder of The Straits Trading Company Limited. He has been covering the resources sector since 1999 and is today the Group's investment specialist in commodities and resources. Prior to joining the Tecity Group in 1999, Mr Yeo was a bank officer with DBS Bank's corporate banking department.

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

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER

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 2008.

2008 was a tough year for the Group. The Group performance was adversely affected by the sharp deterioration in the metals market and the fall in tin and base metals prices in the fourth quarter of the year as a result of the severe global economic crisis. The global financial meltdown and liquidity crunch also affected the Group's efforts to strengthen its capital base through the proposed rights issue announced in August 2008 which has to be deferred indefinitely. As a result, the Group is now shifting its strategy from pursuing further diversification efforts to preserving its balance sheet and reducing its overall gearing.

In the last quarter of 2008, demand for tin and base metals declined sharply and prices fell to unsustainable levels at or below their marginal cost of production. The global economic crisis have created a marked lack of visibility on the short and medium term and the outlook for 2009 is highly uncertain. In the light of these conditions the Group has made an impairment charge and write-offs totalling RM55.29 million as unusual items in respect of some of its mining assets and its exploration and development expenses. The financial crisis has also led to the strengthening of the US Dollar which has resulted in the Group incurring an exchange loss of RM28.98 million for the year, a substantial part of this amount arising from the increase in the Ringgit value of the Group's US Dollar borrowings.

The Group's Indonesian tin mining operations particularly at PT Koba Tin continued to be adversely affected by the suspension of the small scale mining operations and the clamp-down by the Authorities on private smelters' activities and export. Although PT Koba Tin continued to be profitable, its overall result for 2008 was substantially lower than that of 2007.

The Malaysian operations, comprising the Butterworth smelting business and Rahman Hydraulic open pit eluvial tin mine, returned better results during the year compared with that of 2007 on the back of improved production and successful upgrading works.

Development and construction of high grade nickel sulphide project in Vietnam by the Group's 18.20% Canadian listed associate, Asian Mineral Resources Limited was suspended in October 2008 due to the downturn in nickel prices and consequently certain losses were equity accounted in the Group's results for the year. At the Group's 22.48% listed gold associate in Australia, Beaconsfield Gold NL, development and turn-around expenses written down in 2008 further affected the Group's overall results for the year. Beaconsfield managed to achieve a successful turnaround and returned positive results in January 2009.

As part of the Group's growth strategy adopted in 2007, the Company announced in April 2008 its proposed acquisition of a 30% interest in a high grade polymetallic copper, gold, zinc and silver project in the Philippines at an estimated cost of approximately USD18.9 million pursuant to a strategic alliance agreement with LG International Corp and Korea Resources Corporation. The project is currently undergoing initial production phase with the objective of achieving full production targets of the various metal in concentrates in the second quarter of 2009. However, in view of the downturn in the metals market, partners are examining various options to minimise the adverse impact of the low metals prices.

In July 2008 the Company, jointly with its 42.7% Australian listed associated company, Australia Oriental Minerals NL (AOM) announced the acquisition of a strategic 30% interest by the Company and AOM respectively in a coal development project in Kalimantan, Indonesia for a cash consideration of USD6.75 million for the 30% equity interest each. The capital required for this coal project was originally planned to be financed from the proposed rights issue. With the deferment of the proposed capital raising the Company and AOM will limit the investment at the existing level. Development of mine infrastructure and open pits started in October 2008 and commercial production commenced in January 2009. The coal project has been able to minimise its cash outlay for mine developments through the maximum utilisation of contractors' services and pre-shipment advances on sales.

In August 2008, the Company announced proposals for a bonus issue and a renounceable rights issue which if implemented would have increased the Company's issued share capital from RM75 million to RM375 million and raised additional cash of RM337.5 million. The proposed increase in

the capital base would have reduced the Company's overall gearing from 0.98 times to 0.50 times. It was envisaged that the proceeds from the rights issue would be used to repay short-term borrowings as well to subscribe for new investment in a coal project. However, the subsequent downturn in the commodity and equity markets and the uncertain market conditions have made the market environments less conducive to proceed with the proposed capital raising and the Board announced in November 2008 the Company's decision to defer the proposals.

RESULTS

The Group recorded an increase of 19.0% in turnover to RM2.28 billion in 2008 from RM1.91 billion achieved in 2007. Despite the higher turnover, the Group incurred a pre-tax loss of RM28.16 million for the financial year 2008 compared with a pre-tax profit of RM120.99 million in 2007 mainly due to the unusual charges and exchange loss mentioned earlier. Excluding these exceptional items, overall operations of the Group were still profitable. Group loss after taxation and net losses attributable to shareholders in 2008 were RM46.79 million and RM46.34 million respectively.

DIVIDEND

An interim dividend of 8 sen per share less 26% tax (2007: 8 sen per share less 27% tax) was paid on 28 October 2008. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Final dividend of 10 sen per share tax exempt and 10 sen per share less 26% tax).

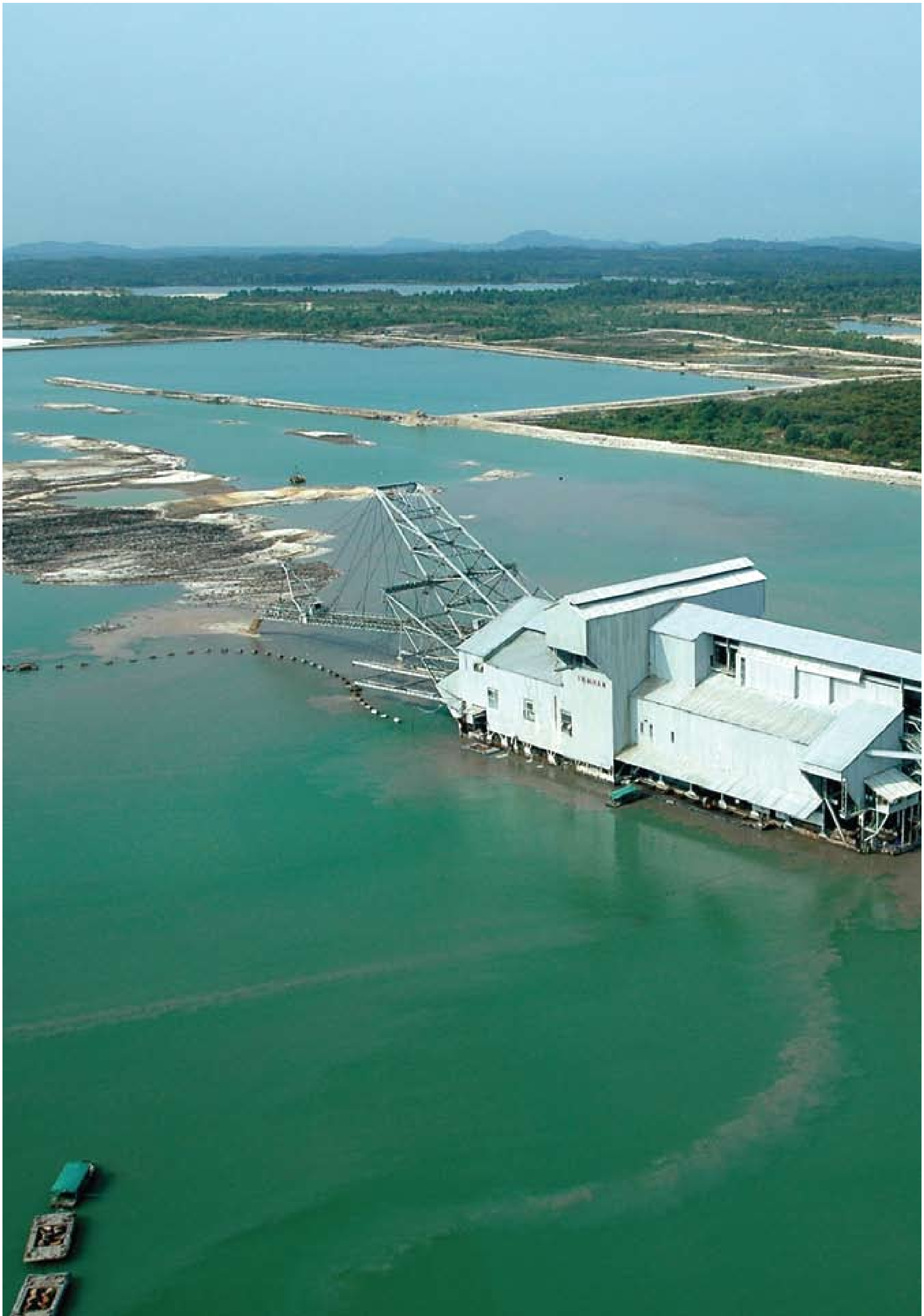
OPERATIONS

The Group's production of refined tin metal in 2008 increased to 38,739 tonnes from 33,195 tonnes in the previous year, despite a lower production from PT Koba Tin. PT Koba Tin's production fell slightly from 7,724 to 7,109 tonnes as a consequence of the suspension of the receipt of tin concentrates from subcontractors working within its Contract of Work area and disruption to its smelting operations in the first quarter of 2008. These resulted from police investigations in January 2008. Production from MSC's Butterworth operations increased to 31,630 tonnes from 25,471 tonnes in 2007, corresponding with the increase in the receipt of materials for smelting and refining. Rahman Hydraulic Tin Sdn Bhd (RHT) returned a significantly improved performance in 2008, with tin-in-concentrates production increasing by 31% to 1,526 tonnes from 1,163 tonnes in 2007. The better performance was attributed to upgrading works and other improvements initiated in 2007 and completed in 2008. A higher average tin price during the year coupled with the higher production led to RHT returning improved financial results.

CURRENT YEAR PROSPECTS

Notwithstanding uncertain market conditions in the short to medium term, the Group is optimistic on the long term prospects of the metals and minerals market. The Group's efforts are currently focusing on generation and conservation of cash resources to reduce borrowings. Low priority and non-critical exploration and development projects have either been or will be suspended or deferred whilst higher costs or unprofitable operating units have been or will be closed down. We believe that with a tighter operation and an improved balance sheet, we will be able to ride out the current crisis and emerge stronger.

The closure or deferment of many other development projects and marginal or unprofitable operating mines around the world also mean that metals and minerals production and supplies are being or will be sharply reduced or rationalised paving the way for a return to market stability and improved prices in the long term. The massive fiscal stimulus packages currently being undertaken by practically all governments of developed and emerging markets will also add to the improvements of underlying fundamentals for consumption growth of metals and minerals.



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 and 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 ongoing 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 welcome Mr. Yeo Eng Kwang who joined the Board on 2 September, 2008. We would also like to take this opportunity to thank the shareholders for their continued support and loyalty as well as the management and the staff for 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 their 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.

NORMAN IP
Chairman

DATO' SERI DR MOHD AJIB ANUAR
Group Chief Executive Officer/Executive Director
16 March 2009

Beaconsfield Gold NL (BCD) - 22.48% interest

GOLD

Beaconsfield Gold Mine started to ramp up operations to full scale production in late 2007. The mine uses world's best practice in the field of geotechnical management and the new and innovative remote control mining method has proved to be safe and effective. By July 2008, gold production had returned to the level when mining was suspended following the tragic rockfall in April 2006. The focus is now on optimization of both the mining method and overall cost structure to maximize productivity and efficiency to safely produce gold at the lowest possible cost.

Production during September 2008 quarter was 20,281 oz of gold, equivalent to an annualized rate of more than 80,000 oz a year. There was a temporary setback during the December quarter when only 15,143 oz was produced, some 5,000 oz below forecast. The shortfall was due to delay in accessing the higher grade ore blocks due to changes in the mining schedule to reduce the geotechnical risk of the planned extraction sequence.

The higher grade blocks will now be mined in the January 2009 quarter. Gold production in January was 7,699 oz and the outlook for the March quarter remains strong. The mine is forecast to produce in excess of 80,000 for its 2009 financial year, ending 30 June 2009.

The cash cost of production for January was AUD643 per oz while the average gold price realized for January sales was AUD1,331 per oz. If this operating margin can be maintained, BCD will return to the status of a profitable gold company.

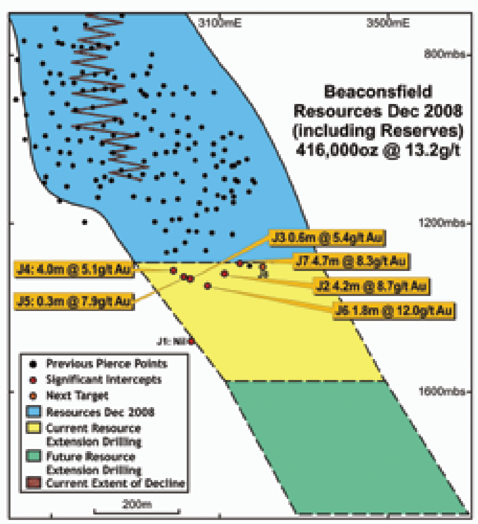
The latest ore reserves, as at 31 December 2008, are listed below:

Proved Reserve	270,000t @ 11.9 g/t Au	(103,000 oz of contained gold)
Probable Reserve	518,000t @ 9.7 g/t Au	(162,000 oz of contained gold)
Total Reserve	**788,000t @ 10.5 g/t Au**	**(265,000 oz of contained gold)**

The previous Total Reserve as at 30 November 2007 was estimated at 1,095,000 tonnes at 9.8 g/t Au with 346,000 oz of contained gold. Incorporating mining depletion of 79,000 oz, there is no material difference in the two estimates.

Gold Exploration

Drilling to test the extension of gold resources beneath the 1,200 Meter Level of the Beaconsfield gold mine continues to intersect encouraging results. Significant gold mineralization was reported in six of the seven holes completed, including 4.7 meters @ 8.3 g/t Au and 4.2 meters @ 8.7 g/t Au. This program which will continue well into 2009 is targeting additional resources to the 1590 RL to extend the current mine life by another three to four years.



The company is also systematically testing the 11 km long corridor of prospective host rocks around the mine for repeats of the Tasmania Reef system by drilling from surface and underground. This corridor has seen surprisingly little modern exploration given it hosts one of Australia's best gold deposits. The Tasmania Reef has already demonstrated an endowment of 2 million oz of gold.

Exploration in the tenements in north-east Tasmania, aimed at delineating incremental feed to utilize the spare capacity of the Beaconsfield processing plant is also in progress. These tenements cover the sources of most of the historical gold production outside the Tasmania Reef.

Copper Project, Western Victoria

A maiden JORC compliant Inferred Resource of 10.6 million tonnes averaging 0.52% Cu and containing 47,300 tonnes has been established at the Thursdays Gossan Prospect, part of the large Stavely Project in Western Victoria. The resource has been estimated solely for the shallow, supergene copper (chalcocite) mineralization and does not include the deeper, high grade primary copper (chalcopyrite) discovery in April - May 2008.

High grade intersections of 7.7m at 4.2% copper (Cu) and 9.5m at 3.0% Cu were reported in diamond drillhole SNDD001 at Thursdays Gossan. Diamond drilling resumed in November 2008, targeting copper mineralization in several areas to the south east of Thursdays Gossan. All the three additional holes completed to-date returned wide intersections of oxide and supergene copper mineralisation of significant grade. Maximum values of 2m at 7.3% copper (4 - 6m) and 2m at 8.0% copper (48 - 50m) are included within the broader intersections of 8m at 2.6% copper and 35m at 3.7% copper in hole TGAC78.

More extensive and deeper drilling will be required before the deposit geology and the nature of the primary mineralization can be satisfactorily determined.

Rights issue

BCD raised AUD3.88 million from a renounceable rights issue, at AUD0.15 per share, in July - August for accelerating Beaconsfield's focused exploration in north east Tasmania and western Victoria. MSC subscribed for 7 million shares and underwrote another 13 million shares to increase its shareholding to 90 million shares, representing 22.48% of the enlarged paid up capital of BCD.

Outlook

Given the high gold price in Australian dollar terms, generally bullish forecast for gold, and good potential for finding additional resources at depths of between 1,200 - 1,500m to extend the life of mine to about 6 years, Beaconsfield should have a bright future.

There are also prospects for organic growth through finding more gold resources in its other tenements in Tasmania and more copper resources in Western Victoria.

Asian Mineral Resources Limited (AMR) - 18.20% interest

NICKEL

MSC exercised the warrants in April 2008 to subscribe for another 6,799,999 AMR shares at a cost of RM45.77 million (C$14.3 million). The Company's shareholding in AMR was increased to 18,228,570 million shares, representing approximately 18.20% of the current paid up capital of AMR.

In May 2008, Ban Phuc Nickel Mines (BPNM) entered into an Offtake Agreement with Jinchuan Group Ltd, China largest nickel producer, under which Jinchuan will offtake all nickel concentrates produced during the estimated five-year life of mine of the initial phase of Ban Phuc project. Jinchuan was also granted first refusal rights on additional nickel concentrates that BPNM may produce.

Jinchuan also subscribed for 4,000,000 AMR shares, at C$1.75 per share and a total cost of C$7.0 million in July. They however did not exercise their right to purchase another 4,000,000 AMR shares at C$2.10 per share by 30 September 2008 due to the sharp drop in stock prices worldwide.

On 12 June, the Vietnamese government issued a decree increasing effective 16 June 2008 the export tariff on a number of minerals, including nickel, from 5 percent to 20 percent. The new tariff rate has an adverse effect on the Ban Phuc Nickel Project. Management of AMR has initiated discussions with the appropriate Vietnamese government authorities and enlisted the support of other interested parties in seeking to rescind the tariff increase. There were some recent precedents where the export tariff for steel ingots was reduced in quick succession from 20% to 10% in late September and finally to 5% in early October. The export tariff for various types of coal was also reduced from 20% to 10% in mid February 2009 to enhance the sector's performance.

Construction of the mine at Ban Phuc was progressing more or less as scheduled until the onset of the global credit crunch and financial crisis in the second half of 2008. Compounded by the lower nickel prices and increase in export tariffs, it was not possible for AMR to secure the additional funds required, estimated at USD40 million, to complete the project.

AMR decided to suspend development activities at Ban Phuc on 1 October. The suspension was designed and implemented to maximize the value of expenditures incurred, minimize the costs of project completion on a delayed basis in future and provide AMR with sufficient opportunities to resolve the export tariff issue and to secure financing to complete the project when market conditions improve.

At the time of suspension, most of the mine infrastructures had been completed, except the tailings storage facility and processing plant which were scheduled for completion by early 2009.

All work on site, contracts, and services of the non essential employees had been terminated. Only the core operating team and support staff in Hanoi office have been retained to keep the company and project in good standing.

The project remains a good asset once the export tariff issue has been resolved and nickel prices recover from the recent low of around USD10,000 - 11,000 per tonne to more realistic levels (USD18,000 - 25,000 per tonne). Nickel prices were at a record high of around USD50,000 per tonne in mid 2007.

The strengths of the project lie in its high grade nature of the deposit , ease of processing and recovery of the nickel sulphide as opposed to nickel laterite, low cash cost, and relative low additional funding required to complete the project. As reported last year, measured and indicated resources delineated to-date are estimated at 1.230 million tonnes averaging 2.77% Ni, 1.13% Cu and 0.09% Co, sufficient to support an operation producing about 4,900 tonnes of nickel and 2,300 tonnes of copper in concentrates annually for five years.

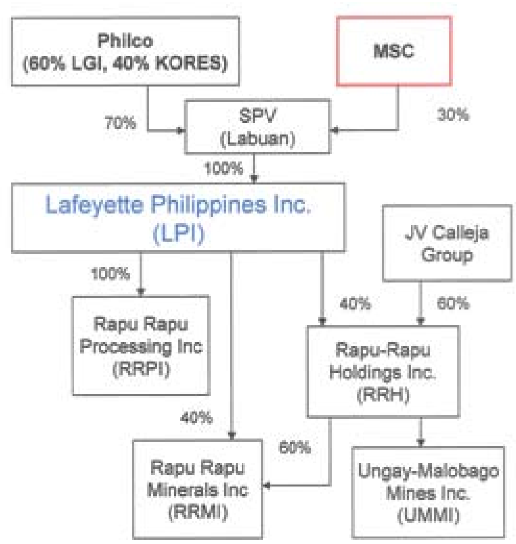
The massive nickel sulphide deposit delineated for proposed mining is still open at depth. Hence, there is good potential for finding additional resources to extend the life of the mine. On a regional basis, significant nickel occurrences have been recorded in numerous locations with BPNM's exploration licence applications, covering 98 square kilometers. These offer significant upside for finding more nickel resources to extend the life of the mine and/or expand the operation.

Rapu Rapu Polymetallic Project - 30% interest

POLYMETALLIC

The Investment

On 16 April 2008, the Company entered into Agreement with Philco Resources Limited (Philco), LG International Corp (LGI) and Korea Resources Corporation (KORES), providing for MSC's 30% participation in the Rapu Rapu Polymetallic Project ("Project"). Philco (60% LGI and 40% Kores), a company registered in Labuan, was then undertaking the restructuring and acquisition of Lafayette (Philippines) Inc. (LPI), the ultimate holding entity of the group of companies that hold the MPSAs (Mining and Production Sharing Agreements), the polymetallic (copper, zinc, gold and silver) open pit mine and the base metal processing plant on Rapu Rapu Island, located about 350 km south of Manila, Philippines.



The total consideration for the restructuring and acquisition of LPI was USD18 million.

Another USD30 - 45 million would be infused into the Project as additional capital expenditure and working capital to restart operation, including refurbishment and retrofitting of the processing plant, and ramping up metallurgical recoveries and production to targets within a 12 month period.

MSC would contribute 30% towards the acquisition and restart up costs. Up to end December, MSC had contributed a total of USD14.4 million (RM47.15 million).

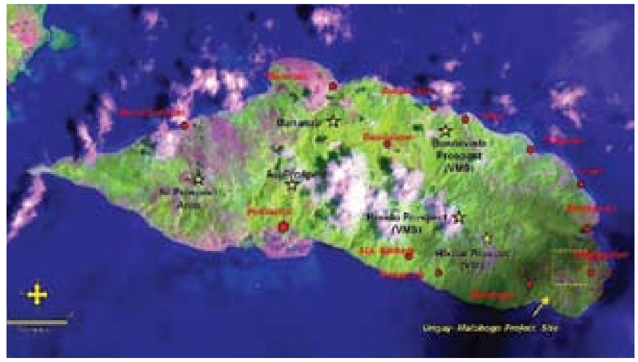
On completion of the proposed transaction, the Special Purpose Vehicle, Rapu Rapu Resources Limited (RRR) (70% Philco and 30% MSC) which is registered in Labuan, will hold 100% of LPI.

This investment represents a strategic and significant entry into the base metals (copper and zinc) sector in the Asean region with good Korean partners. The entry cost was deemed to be undemanding at the point of investment.

Significant amounts of gold and silver occur with the copper and zinc. At current metal prices, about 80% of the sale revenue is derived from copper and gold. The Project is forecast to breakeven once copper prices recover from the current low to around USD4,000 per tonne (copper and zinc prices currently at around USD3,500 and USD1,200 per tonne respectively compared to around USD8,800 and USD2,200 per tonne in April 2008).

Project History

The Project is situated at the eastern end of Rapu Rapu Island, within mineral tenements aggregating approximately 200 hectares. LPI has rights over additional mineral concessions, totaling approximately 5,218 hectares and covering almost the entire island.



The definitive feasibility study was completed in January 2001. The Project was designed to produce approximately 10,000 tonnes of copper and 15,000 tonnes of zinc in concentrates and 50,000 oz of gold and 500,000 oz of silver annually over an initial mine life of 5 years.

Project construction commenced in mid 2004 and was completed in the second quarter of 2005. Since completion, LPI and its majority shareholder, encountered a series of operational and cashflow problems mainly due to hedging losses. LPI and related companies filed a petition for corporate rehabilitation on 6 February 2008.

Ore Resources

The main polymetallic deposit at Rapu Rapu, referred to locally as the Ungay-Malobago deposit, has been interpreted to be broadly similar to the Kuroko-type volcanic hosted massive sulphide (VHMS) deposits associated with "black smokers" along mid-oceanic ridges. The massive sulphide mineralization had been folded into its present morphology.

The remaining in-situ mineral JORC compliant resource in the Ungay-Malobago deposit, as at the end of June 2007, is shown below.

Category	Tonnes	%Cu	%Zn	g/t Au	g/t Ag
Measured	1,862,000	1.55	2.75	2.97	32.25
Indicated	2,343,000	1.60	2.83	2.74	31.39
Inferred	223,000	0.87	1.57	1.66	20.58
Total	**4,428,000**	**1.54**	**2.74**	**2.78**	**31.21**

Additional potential mineral resources, estimated at 600,000 - 800,000 tonnes, have also been found at the western slopes of the current mine pit.

Restarting Operations

Since taking over the Project in late April 2008, management had to work closely with the Department of Environment and Natural Resources (DENR), the Mines and Geosciences Bureau (MGB), local governments, and various concerned groups.

All conditions imposed by the government were met and official approval to restart operation was received from MGB on 21 October 2008. The Processing Plant, which had been refurbished, commenced operation on 23 October 2008.

The operational challenges included stabilizing the flotation circuits to achieve the targeted metallurgical recoveries, and to produce good quality copper and zinc concentrates.

During the recommissioning period from 24 October to 31 December 2008, about 4,180 WMT (wet metric tonnes) of copper concentrate and 3,245 WMT of zinc concentrate, containing 957 tonnes of copper, 1,810 tonnes of zinc, 2,806 oz of gold and 39,685 oz silver were produced.

Exploration Targets

Several prospective targets for massive sulphides mineralization have already been identified in Rapu Rapu Island. Further exploration has been planned for 2009. The additional resources found will extend the life of the mine.

There is also potential for gold at Hixbar, about 3 kilometres west of the current mine pit. Infill drilling conducted in 2005 had delineated a potential in-situ mineral resource of 1,280,000 tonnes of shallow oxidized material grading 1.59 g/t gold and 11.76 g/t silver and containing about 70,000 oz of gold equivalent.

Guilin Hinwei Tin Co. Ltd (GHT) - 35%

The formal business license for GHT to begin operations was granted in March 2008. Subsequent to the approval, an initial capital contribution of more than 15% had to be paid in. The Chinese party, Guangxi Guilin Jinwei Realty Co Ltd contributed the partially completed fixed assets, and MSC together with Vertex Metals Incorporation of Taiwan injected cash for their share of the equity.

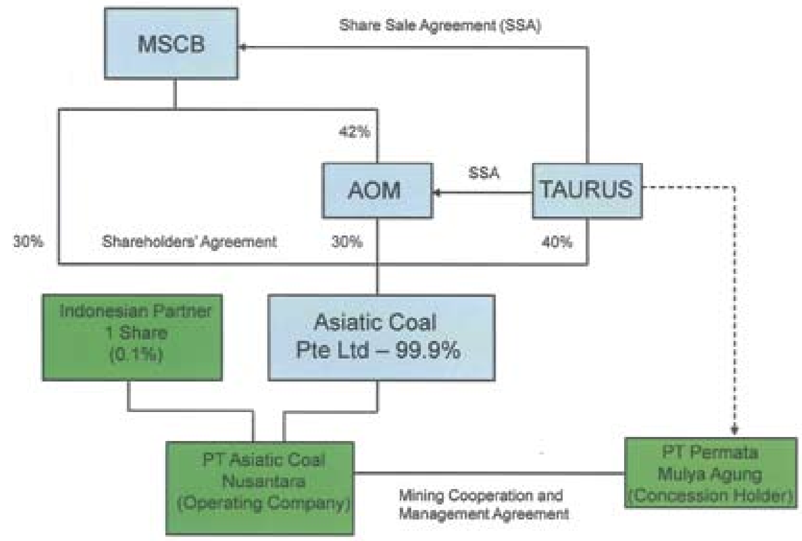
Delays were encountered in the construction of the smelting, administrative, and workers' housing facilities. Also the agreed transfer of Jinwei's smelting assets in Nandan, Guangxi to the JV Company could not be completed until receipt of the necessary regulatory approval. As such MSC's capital contribution to the JV was RMB39 million, or 65 percent of the agreed quantum.

In June 2008, after partial completion of the electro-refinery, trial production started using crude tin purchased or that produced through toll-processing arrangements with a third party smelter. For the year 1,167 tonnes of refined tin were produced. Smelting facilities were yet to be fully completed by year end. These are expected to be completed in the first quarter of 2009, and smelting operations to follow in the second quarter.

The impact of the global financial crisis on the Chinese tin industry is expected to be severe given that tin is mainly consumed in the export-driven electrical and electronics sectors. Chinese tin production in the fourth quarter of 2008 fell 35% compared to the corresponding period in 2007. As a consequence, total production in 2008 was 15% lower year-on-year. It is anticipated that 2009's production will contract by a further 6%.

Given the difficult economic environment, 2009 will prove to be challenging for the JV. However, the Chinese government had initiated measures to stimulate the economy. The proposed heavily-subsidised scheme to enable rural households to purchase electrical and electronic appliances will be positive for tin. At the same time there are initiatives by both central, as well as provincial governments, to build up metal stockpiles through purchase of surplus domestic production.

Asiatic Coal Pte Ltd (Asiatic Coal) - MSC 30% interest, AOM 30% interest — COAL



The Investment

In line with MSC's objective to diversify into the energy commodity sector, the Company, jointly with its 42.7% associated company, Australia Oriental Minerals NL ("AOM"), had on 1 July 2008 entered into a Share Sale Agreement with Taurus Capital to acquire a 30% interest each in Asiatic Coal Pte Ltd ("Asiatic Coal") for an aggregate 60% of the equity interest in Asiatic Coal.

Asiatic Coal, through its 99.9% owned Indonesian subsidiary, PT Asiatic Coal Nusantara ("ACN"), has secured an exclusive right to mine and market coal in an area of approximately 4,500 hectares ("Mining Concession Area") at Muara Teweh in Central Kalimantan Province, Indonesia. The Mining Concession is located within a known region of anthracite/ high grade bituminous coal in Kalimantan.

The coal found in the Mining Concession is higher quality than the normal thermal coal used for power generation. Anthracite is used as a reducing agent in the manufacturing of steel. At the time of acquisition, anthracite was marketed at around USD200 per tonne FOB, a significant premium over the price of thermal coal.

The agreed purchase consideration for 30% of Asiatic Coal was USD6.75 million (RM23.4 million).

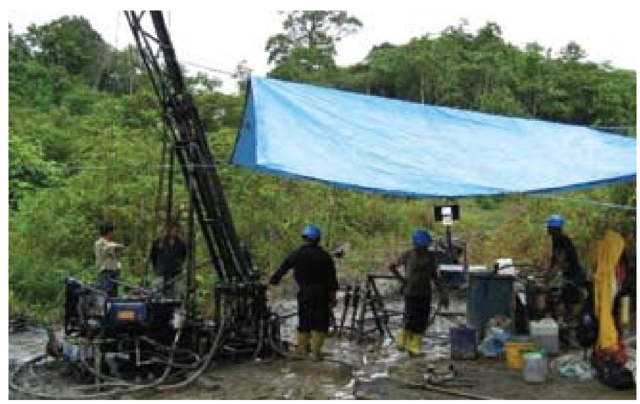
MSC, jointly with AOM, had also received an offer from Taurus Capital via its letter dated 30 June 2008 of an irrevocable first right of option to acquire interests in two Coal Exploration Concessions encompassing a total area of approximately 8,710 hectares adjoining the Mining Concession Area.

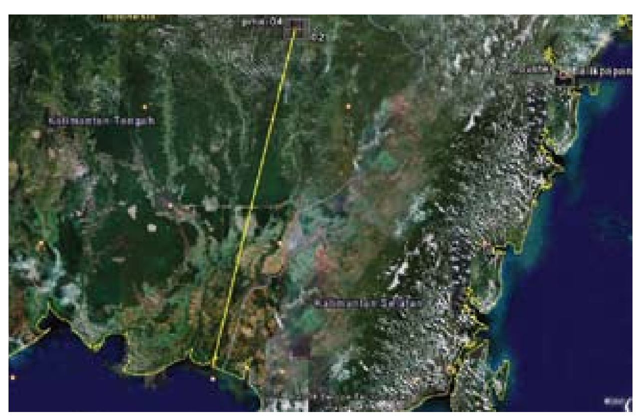
Exploration and Site Work

Exploration in the Mining Concession Area and Exploration Concessions to delineate the coal resources commenced in July 2008 and the program of 362 holes had been completed. In parallel with the drilling, down hole geophysical logging, geological mapping, trenching and topographical survey were also undertaken to determine the geology and occurrence of the coal. Drilling within the Mining Concession Area encountered coal seam intersections of anthracite and high bituminous coal which have high calorific value in the range of 7,500 to 8,100 kcal per kilogram, low ash averaging 6%, high carbon content averaging 80.6% and low average moisture at 8.5%. Coal intersections were recorded in a northeast - southwest trending zone over a distance of about 3 km. The coal seams are steeply dipping and faulted or displaced in places.

A firm of geological and mining consultants has been engaged to review the drilling and geological data and determine the coal resources. Preparation of the resource report is in progress.

Preliminary excavation work commenced during the last quarter of 2008 in the Mining Concession Area, including overburden removal and extraction of the near surface coal seams. ACN has also commenced negotiations for marketing of the coal.





Australia Oriental Minerals NL - MSC 42.70% interest

AOM continued its joint-venture exploration activities in both New South Wales and Queensland.

Mount Mackenzie Project, Queensland

In April 2008, AOM and its joint venture partner, SmartTrans Holdings Ltd, reached agreement with Newcrest Operations Limited ("Newcrest") to farm-in to the project, being called the Broadsound Joint Venture.

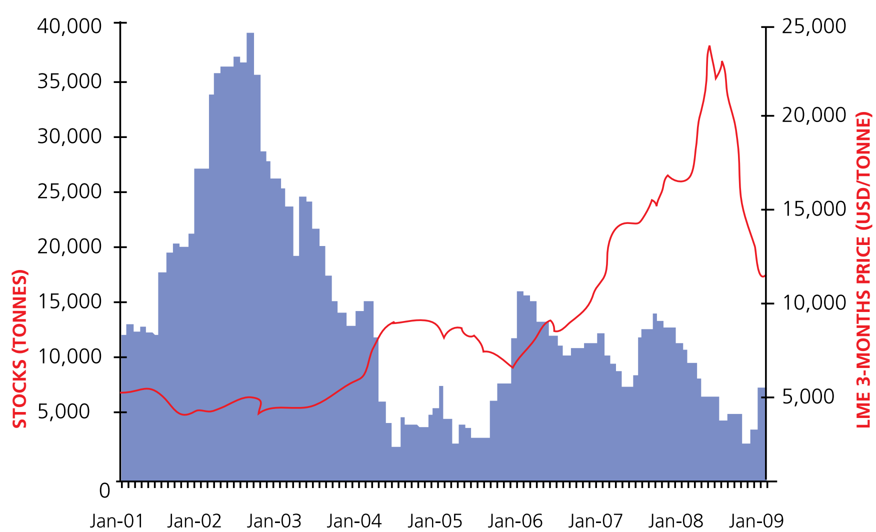
Under the agreement, Newcrest has agreed to spend AUD10.0 million over the next five years to earn a 60% interest in the Broadsound Joint Venture. At that time, AOM interest in the joint-venture will have reduced to 16%, from its current level of 40%. Newcrest will manage the new joint-venture and has committed to spend AUD1.5 million during the first 18 months and may then elect to spend a further AUD8.5 million in the following 3.5 years to earn its 60% equity. No equity will be earned prior to completion of this expenditure.

The drilling program that was recently completed by Newcrest focused on a relatively small zone that comprises less than ten percent of the project area. This mineralization may appear to be locally closed off by this drilling but other high-sulphidation systems occurring within this tenement will require evaluation in due course.

The Tin Market in 2008

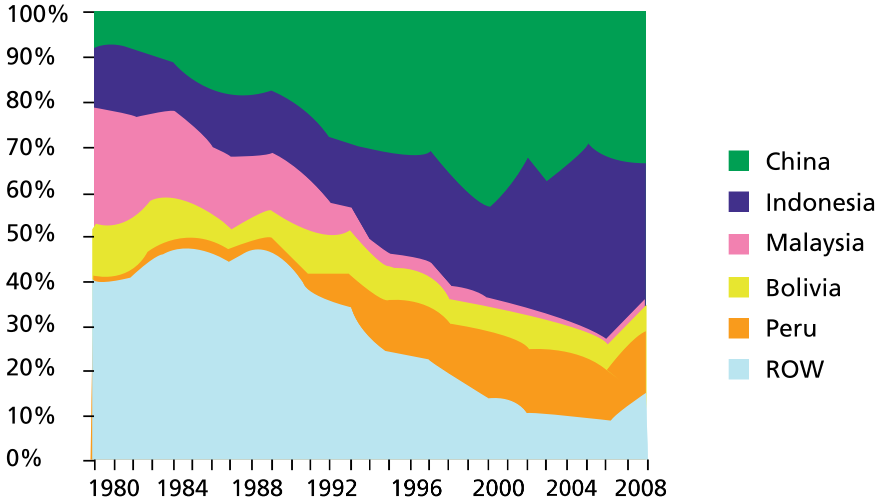
Tin prices rose to record levels of around USD25,000/tonne in the second quarter of the year, driven by concerns about falling world production and buying by investment funds. However the acceleration of the global financial crisis from September onwards resulted in a collapse in almost all commodity markets and by the end of the year the tin price had fallen to a temporary low of USD10,000/tonne. Some stability has returned to the market since the end of the year, although there are still serious concerns about the world economic outlook and the impact of recession on tin usage. The annual average London Metal Exchange (LME) cash settlement price in 2008 was USD18,499/tonne. This was the highest level recorded since trading in US dollar terms commenced in 1989. In inflation adjusted terms, it was the highest annual average tin price since 1985.

On the basis of provisional data it is estimated that world tin supply fell short of demand by about 9,000 tonnes in 2008. There was a larger supply deficit in the first half of the year, but an estimated fall in consumption of some 30% year-on-year in the final quarter then pushed the market into surplus. LME stocks fell from a starting level of 12,150 tonnes to a low of 3,010 tonnes in early November, before rising again to 7,790 tonnes at the end of the year. Though reported data is very limited, it is also likely that stocks of tin held by consumers were run down, although stocks held by producers have risen. The fall in demand and prices from September onwards resulted in significant cuts in production by producers and this rapid response has prevented a large accumulation of surplus metal, in contrast to most other metal markets.



LME Price Slump Pauses, Stock still Low

One other significant feature of the market in 2008 was that the US government suspended disposals of tin from its old strategic stockpile. Some 3,900 tonnes of tin was released by the Defense Logistics Agency (DLA) before the suspension, with about the same quantity left. This stockpile at one time contained over 300,000 tonnes of tin and disposals typically accounted for 25% of supply to the US tin market. Disposals are expected to remain suspended indefinitely. Meanwhile other countries have started or revived stockpiling plans. South Korea plans to hold greater levels of inventories of a range of metals in order to support local manufacturers, while China has announced both central and provincial government stockpiling programmes as part of the massive four trillion yuan fiscal stimulus package put forward in November. The Yunnan government initially announced plans to hold up to 100,000 tonnes of tin, although a maximum of 30,000 tonnes can be withdrawn from the market up to the end of 2009. Some 6,000 tonnes of tin was reserved under this scheme at the end of December 2008.



Shares in World Mine Output

Trends in Tin Production

World refined tin production declined for the second year in succession in 2008, falling by over 7% to approximately 321,000 tonnes. The decline partly reflected cutbacks in response to adverse market conditions in the final quarter of the year, but was also due to longer-term problems in sustaining mine production of tin. Mine production in China has reached a plateau of about 100,000 tonnes a year since 2000, while Indonesian mine output has fallen sharply since 2005, dropping from an estimated peak of 138,000 tonnes in that year to less than 80,000 tonnes in 2008. Although there has been a rise in small-scale production in Central Africa, very few major mine projects have started up or are likely to in the near future.

WORLD SUPPLY/DEMAND BALANCES IN REFINED TIN ('000 tonnes)

					Forecast
	2005	**2006**	**2007**	**2008**	**2009**
World					
World Refined Production	346.7	354.1	346.5	320.8	305.0
DLA Sales	7.7	9.3	7.7	3.9	0.0
World Refined Consumption	333.2	364.6	356.7	333.7	300.3
Global Market Balance	**21.2**	**-1.2**	**-2.5**	**-9.0**	**4.7**
Reported stocks					
LME	16.7	13.0	12.2	7.8	11.0
Producers	8.4	10.1	9.5	15.0	15.0
Consumer/other	11.4	10.4	9.9	9.0	9.0
Total	**36.5**	**33.5**	**31.6**	**31.8**	**35.0**
World Stock Ratio					
(weeks consumption)	7.6	6.8	4.6	4.9	6.1

Data: ITRI

LEADING TIN COMPANIES (ANNUAL PRODUCTION, TONNES REFINED TIN)

	2005	2006	2007	2008	%change
Yunnan Tin (China)	42,720	52,399	61,129	58,371	-4.5
PT Timah (Indonesia)	41,799	44,689	58,325	49,029	-15.9
Minsur (Peru)	38,180	40,977	35,940	37,960	5.6
MSC Group					
Malaysia Smelting Corp	37,782	22,850	25,471	31,630	24.2
PT Koba Tin (Indonesia)	21,380	20,930	7,724	7,109	-8.0
Thaisarco (Thailand)	31,539	27,828	19,826	21,731	9.6
Yunnan Chengfeng (China)	12,616	21,765	17,064	13,500	-20.9
Liuzhou China Tin (China)	15,562	13,499	13,193	12,000	-9.0
Metallo Chimique (Belgium)	7,727	8,049	8,372	9,228	10.2
EM Vinto (Bolivia)	11,826	11,804	9,448	8,800	-6.9
Gejiu Zi-Li (China)	10,384	8,990	8,234	7,000	-15
Taboca/Paranapanema (Brazil)	5,601	5,047	6,997	6,149	-21.1

Data: ITRI, Antaike

The table identifies twelve tin smelter/refiners which are the only operations worldwide to have consistently produced more than 5,000 tpy in recent years. Eight of the twelve reported a fall in production in 2008 and two other companies with large rated capacities ceased production. MSC's Butterworth smelter reported the largest increase in production of any of the leading producers, reflecting the company's ability to increase its share of total raw material supplies.

The Outlook for 2009

A Reuters' survey of metals analysts published on 27 January 2009 produced median LME tin price forecasts of USD12,000/tonne for 2009 and USD13,500/tonne for 2010. The range of 29

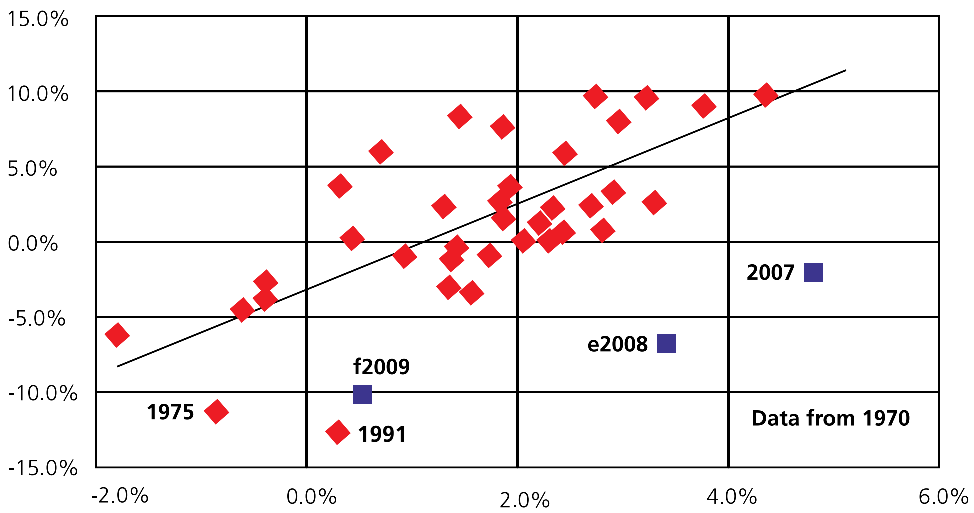
WORLD PRODUCTION AND CONSUMPTION OF REFINED TIN ('000 tonnes)

					Forecast
Production	**2005**	**2006**	**2007**	**2008**	**2009**
China	117.0	131.0	144.0	122.0	115.0
Indonesia*	83.2	83.6	78.0	65.1	62.0
Malaysia	37.8	22.9	25.5	31.6	28.0
Thailand	31.5	27.8	19.8	21.7	20.0
Bolivia	13.5	13.5	12.3	12.0	13.0
Brazil	9.0	8.8	10.2	11.0	12.0
Peru	38.2	41.0	35.9	38.0	38.0
Belgium	7.7	8.0	8.4	9.2	9.0
Russia	3.2	3.2	3.2	1.6	0.0
Others	5.6	14.3	9.2	8.6	8.0
Total World	**346.7**	**354.1**	**346.5**	**320.8**	**305.0**
Consumption					
China	100.2	116.5	131.5	123.0	110.0
Japan	33.2	38.5	34.2	32.3	27.0
Other Asia	67.1	68.8	64.2	61.1	54.0
Usa	42.1	47.0	33.6	28.0	26.0
Other Americas	16.8	17.9	18.5	19.5	18.5
Europe	69.5	72.1	71.4	66.8	62.0
Others	4.3	3.8	3.4	3.0	2.8
Total World	**333.2**	**364.6**	**356.7**	**333.7**	**300.3**

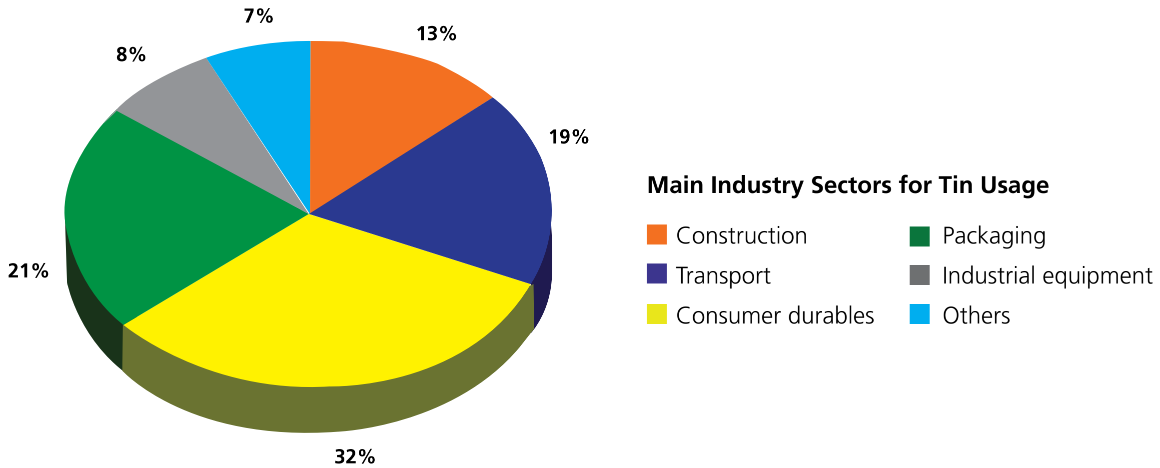
Data: ITRI

*Note: Indonesia production excludes metal refined in other countries forecasts for this year was from a low of USD8,800 to a high of USD16,500. The 22 forecasts for next year ranged from USD9,900 to USD18,800. Forecasts from the more well-established bank research teams generally tended towards the higher ends of these ranges. The main factor that will depress prices is a fall in consumption. However unless there is a very large drop in usage the market should not experience a major rise in excess stocks. Two factors should help cushion the likely drop in tin demand. First, tin stocks held by consumers are already believed to be at quite low levels. Secondly, tin is less exposed than most other metals to the two industry sectors - construction and transport - which are hardest hit in the current slump.

ITRI forecasts that tin consumption will fall by 10% in 2009. This is compared with the latest IMF forecast for world economic growth, released on January 28, in the scatter chart. The main feature to note from the chart is that the data points for 2007, 2008 and 2009 are all well below the average relationship between world growth and changes in tin consumption. This might reflect some substitution in the last two years, but is probably mainly a sign of de-stocking in response to supply problems and high prices. The credit crunch then caused de-stocking to accelerate in the final quarter of 2008. If consumers have already reduced their tin inventories over the last two years, the scope for further reductions must be quite limited. The pie-chart shows the importance of different industry sectors for tin usage. The large exposure to consumer electronics is a source of weakness. However the construction and transport share of the total is quite low, while the packaging business (mainly in the form of tinplate) in the mature economies is seen to be "recession-proof" and continues to benefit from growth in developing countries.



Real World GDP Growth: IMF Data & Forecast



Proportions based on survey data and ITRI estimates

CORPORATE SOCIAL RESPONSIBILITY

The World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large"

The MSC Group is committed to enhance the well being of the community and maintain a sustainable environment in all the locations where we operate. By adopting socially and environmentally responsible behaviour, we will continue to make significant contributions to boosting wealth creation and employment, fostering social justice and protecting the environment taking into account the economic, social and environmental impacts that may arise from our operations while maximising the benefits and minimizing the downsides.

CSR is essentially a process of managing the costs and benefits of business activity to internal and external stakeholders - from workers, shareholders, and investors through to customers, suppliers, civil society, community groups and other enterprises. Setting the boundaries for how those costs and benefits are managed is partly a question of business policy and strategy and partly a question of public governance.

To attain the above objectives, we practise an Integrated Management System with the adoption of quality management standards covering all areas of responsibility including social, environmental, occupational health and safety aspects. Standard operating procedures, training programmes and regular audit schedules are being practised with the aim of achieving continual improvement in all areas of activity.

MSC Group's approach to CSR is focussed in four main areas, namely:

Human Resource

At MSC, our men and women bring expertise and dedication to work each day. We value our employees and their contributions, promote open dialogue in the Group and strive to make diversity one of our strengths. We aspire to attract, develop, retain and engage the best people and are committed to help employees succeed at work and in general, specifically to:

- provide a workplace where employees feel valued, inspired and confident;
- help employees achieve their professional goals; and
- recognize and respect that employees have a life beyond work.

The training, hiring and retention of our employees are paramount to our corporate strategy. We invest significantly in the education and training of our employees and also of community members in the areas where we operate, providing these individuals with greater opportunities for employment, whether at MSC or in other companies. Such investments are instrumental, as the increased income can improve local quality of life.

We continue to offer tools and resources to help employees succeed at work and in life in a number of leadership and professional development programmes at both staff and employees level.

Local Community

We recognize that among our priorities are our responsibility towards the social well-being and development of the communities where we operate. We have ongoing community development programmes covering assistances in infrastructure development and community affairs, as well as promoting agricultural projects. These programmes emphasises on empowering communities including development of skills and spin-off business opportunities so that the communities' access to improved quality of life can be self-sustaining after the closure of the Group's operation.

Specifically, we are committed to:

- providing employment, both direct and via subcontractors, complemented with human resource development programmes to hone knowledge and skills in critical areas of vocation;
- assisting with infrastructure development for the benefit of the community at large through:
  - educational facilities including kindergarten, elementary school and junior high school within the mine camp, as well as providing aids for many other educational institutions;
  - building of community halls, and sports and religious facilities;
  - construction of well-maintained mine access roads, most of which are open for public use;
  - various other infrastructure including water supply, healthcare and agricultural facilities;
  - providing sponsorship, scholarships to school and university students, teaching aids, training and internship programmes, as well as participation in youth, cultural, general welfare, sports and recreation activities.

We will continue to be committed towards community development through ongoing initiatives and implementation of socio-economic programmes to improve the livelihood of the local community.

Safety and Health

We recognize our responsibilities in the occupational health and safety of our staff and employees. Management policies and safety are in place for the benefit of staff and employees and strict adherence to environmental compliance is of paramount importance. We ensure that a culture of continuous improvement exists across all our work locations through the use of hazard identification systems, monitoring, management and compliance with all safety and regulatory standards.

Promotion of safety and health are not only directed at our own employees, but also subcontract employees and the local community who are influenced or affected by the Group's operations.

In ensuring that safety and heath performance are maintained at the highest level, we have established the following:

- mine clinic with in-house medical doctor and assistants
- provision of personnel protective equipment
- installation of pollution, hazard monitoring and control equipment
- regular training for all personnel
- campaigns and competitions
- inspections and audits

There are ongoing efforts to promote awareness and inculcate healthy and safe work habits and culture throughout the whole organisation. Regular medical check-ups are performed especially on employees who are exposed to hazardous work environment such as the mineral processing plant and smelter areas.

Regular inspections and audits are performed in all work areas including exploration sites, mine operations, processing plants, smelters, machineries and workshops to enhance health and safety performance in these areas.

Environment

Our businesses involve the use, storage, handling, processing, transportation and disposal of minerals and chemical substances, some of which are potentially dangerous. In order to perform these activities safely, we use technical procedures and qualified personnel, as well as specialized consulting companies and periodic auditing to avoid or minimize associated risks. We also organize specific technical groups to share best practices.

Our operations and projects are subject to environmental regulations requiring relevant licences, permits and approvals, as well as the specification of environmental controls and standards to reduce risk. Our environmental policy thus includes the following:

- maintaining an Environmental Management System with the purpose of ensuring that activities comply with applicable laws or in the best practices for environmental protection and minimizing risks.
- educating and training employees for environmentally responsible actions, caring for the application of our environmental policy.
- development of research and the use of new technologies for ongoing improvements in our activities, with a view to reducing environmental impacts and the use of materials and energy.
- maintaining a permanent discussion channel with employees and the community, aimed at improving environmental actions.
- ensuring that the companies in the MSC Group embrace practices in line with this environmental policy.
- requiring our suppliers to provide products and services of proved environmental quality.

Reclamation and rehabilitation have always been an integral part of the Group's overall mining operations with implementation of annual rehabilitation programmes in areas disturbed by the Group's operations involving progressive greening and reforestation initiatives of the reclaimed land.

Ongoing research and development are performed with the cooperation of relevant Government institutions for forestry, agricultural and aquaculture projects with emphasis on benefiting the local community. Among these projects include planting of oil palm, rubber, jarak (for bio-fuel), fruit trees and various local timber species. Ex-mining ponds are utilised for aquaculture projects and these ponds are also useful as fresh water reservoirs during the dry season.

Training programmes are carried out on regular basis and include:

- first aid
- safety induction for new employees
- emergency response and evacuation simulation
- fire fighting
- occupational health and hygiene
- good mining practice focussing on environmental, health and safety issues
- safety aspects of equipment operations and maintenance
- housekeeping
- training for certifications

We believe in setting high standards for all our operations and that by adopting good corporate social responsibility practice, 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 the Company's corporate governance practices in place for the financial year ended 31 December 2008.

The Board of Directors fully subscribes and supports the Malaysian Code on Corporate Governance (the "Code") and the relevant provisions in the Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Accordingly, the Board considers corporate governance to be synonymous with three key concepts, namely transparency, accountability and integrity.

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 Group, and reviews the adequacy and integrity of internal control systems.

Board Committees

Four committees function as proxies of the Board in carrying out 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 Executive Committee (EXCO)

The EXCO's role is to focus on executive management and optimising operational performance of the Group. However, due to the Board's small size for most part of the year ended 31 December 2008 comprising only five (5) members, the Board decided that all matters be deliberated at Board meetings. The EXCO would be revived when deemed necessary.

Meetings

The Board convenes at least four (4) meetings a year at quarterly intervals, with additional meetings called in response to urgent issues or when crucial decisions are needed. During the financial year ended 31 December 2008, the Board met on sixteen (16) 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 during the financial year under review are as follows:

Director	Board
Mr Norman Ip Ka Cheung	16/16
Mr Choi Siew Hong	16/16
Dato' Seri Dr Mohd Ajib Anuar	16/16
En Razman Ariffin	16/16
Ms Victoria Ko Miu Ha (appointed on 02/01/2008)	15/16
Mr Yeo Eng Kwang (appointed on 02/09/2008)	3/3

A. BOARD OF DIRECTORS (CONT'D)

Board Balance

At the date of this statement, the Board consists of six members, comprising two Independent Non-Executive Directors, one Executive Director and three Non-Independent 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' Seri Dr Mohd Ajib Anuar. The Company's Board Charter formalises and assigns 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 identified Mr Choi Siew Hong as the Senior Independent Non-Executive Director, 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 the shareholders in the Company.

Supply of Information

The Directors receive information relating to financial and operational performance 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 2008, comprised the following members:

Director		Meetings
Mr Choi Siew Hong	Chairman, Independent Non-Executive Director	2/2
En Razman Ariffin	Independent Non-Executive Director	2/2
Mr Norman Ip Ka Cheung	Non-Independent Non-Executive Director	2/2

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 a documented process in assessing the effectiveness of the Board, Board Committees and the contribution of each individual Director.

A. BOARD OF DIRECTORS (CONT'D)

Appointments to the Board (cont'd)

Appointment Process

The Nominating Committee meets annually with additional meetings convened whenever the need arises (two (2) 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 also recommended for the Board's approval the appointment of new Directors after due evaluation and upon satisfaction of all legal and regulatory obligations. In making its recommendations, the Nominating Committee would consider the candidate's skills, knowledge, expertise, experience, professionalism and level of integrity. For the consideration of Independent Non-Executive Directors, the Nominating Committee also evaluated their ability to discharge responsibilities or functions as expected of Independent Non-Executive Directors.

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.

During the financial year ended 31 December 2008, site visits were made by Directors to enhance their understanding of the Group's operations including to the Company's smelter operations at Butterworth. Where necessary, the Directors would attend training programs run by service providers to enhance their skills and knowledge.

All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad.

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

Director	Nature of course
Mr Norman Ip Ka Cheung	• In-house seminar 'Functions, Roles & Responsibilities of the Board of Directors/Board of Commissioners under the New Indonesian Company Law 2007' presented by the Company's solicitors, Roosdiono & Partners • In-house Seminar on the Latest Updates of the Companies Act, 1965 presented by the training division of Companies Commission of Malaysia
Mr Choi Siew Hong	• In-house seminar 'Functions, Roles & Responsibilities of the Board of Directors/Board of Commissioners under the New Indonesian Company Law 2007' presented by the Company's solicitors, Roosdiono & Partners • In-house Seminar on the Latest Updates of the Companies Act, 1965 presented by the training division of Companies Commission of Malaysia
Dato' Seri Dr Mohd Ajib Anuar	• In-house seminar 'Functions, Roles & Responsibilities of the Board of Directors/Board of Commissioners under the New Indonesian Company Law 2007' presented by the Company's solicitors, Roosdiono & Partners • In-house Seminar on the Latest Updates of the Companies Act, 1965 presented by the training division of Companies Commission of Malaysia
En Razman Ariffin	• In-house seminar 'Functions, Roles & Responsibilities of the Board of Directors/Board of Commissioners under the New Indonesian Company Law 2007' presented by the Company's solicitors, Roosdiono & Partners • In-house Seminar on the Latest Updates of the Companies Act, 1965 presented by the training division of Companies Commission of Malaysia

A. BOARD OF DIRECTORS (CONT'D)

Appointments to the Board (cont'd)

Director	Nature of course
Ms Victoria Ko Miu Ha (appointed on 02/01/2008)	• Mandatory Accreditation Programme for Directors of Public Listed Companies • In-house seminar 'Functions, Roles & Responsibilities of the Board of Directors/Board of Commissioners under the New Indonesian Company Law 2007' presented by the Company's solicitors, Roosdiono & Partners • In-house Seminar on the Latest Updates of the Companies Act, 1965 presented by the training division of Companies Commission of Malaysia
Mr Yeo Eng Kwang (appointed on 02/09/2008)	• Mandatory Accreditation Programme for Directors of Public Listed Companies

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.

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee, during the financial year ended 31 December 2008, comprised the following members:

Director		Meetings
Mr Norman Ip Ka Cheung	- Chairman, Non-Executive Director	2/2
Mr Choi Siew Hong	- Independent Non-Executive Director	2/2
Dato' Seri Dr Mohd Ajib Anuar	- Executive Director	2/2

The Remuneration Committee's main responsibility is to review and recommend an appropriate remuneration framework for executive Directors 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 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 Directors, 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.

B. DIRECTORS' REMUNERATION (CONT'D)

Remuneration Committee (cont'd)

The Company remunerates each Director an annual fee (subject to approval by shareholders at the Annual General Meeting), and where applicable, 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 2008, are as follows:

Category	Fees (RM)	Salaries and Other Emoluments (RM)
* Executive Director	30,000	21,100
Non-Executive Directors	364,333	–

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	–	2
RM50,001 to RM100,000	1	1
RM50,000 and below	–	3

* The Group Chief Executive Officer/Executive Director received his remuneration from Straits Resource Management Private Limited, a corporation which provided management, technical and financial services to the Company.

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 Securities Berhad.

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 Securities Berhad.

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.

D. ACCOUNTABILITY AND AUDIT (CONT'D)

The Directors also have a responsibility under the Companies Act 1965 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.

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

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 2008.

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 2008, including the evaluation of the audit process, is set out in the Audit Committee Report on pages 41 and 42 of this Annual Report.

E. STATEMENT OF COMPLIANCE

The Group has complied, throughout the financial year ended 31 December 2008, with all the Best Practices of corporate governance set out in Part 2 of the Code.

This statement was made in accordance with a resolution of the Board of Directors dated 16 March 2009.

TERMS OF REFERENCE

The Audit Committee (the "Committee") was established to act as a Committee of the Board of Directors (the "Board") to fulfil 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. Composition

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

- be a member of the Malaysian Institute of Accountants ("MIA"); or

- 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.

2. 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 twice a year 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. Other Board members and employees may attend meetings upon the Audit Committee's invitation.

3. 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.

4. 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, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- Review performance of Internal Auditors, who will report functionally to the Audit Committee, on an annual basis, approve any appointment or termination of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- 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 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 and Management's response 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;
- Review and evaluate the adequacy and effectiveness of risk management system instituted within the Group; and
- Any other activities, as authorised by the Board.

Membership

The directors who have served as members of the Audit Committee (the "Committee") during the financial year ended 31 December 2008 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-Independent Non-Executive Director (Fellow of the Institute of Chartered Accountants, England and Wales)
En Razman Ariffin	Independent Non-Executive Director

The Directors have extensive years of relevant industry experience and a brief profile of each of the Directors is presented on pages 10 to 11 of this Annual Report.

Terms of Reference

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

Meetings

The Committee held eight (8) meetings during the year ended 31 December 2008. Details of the members' attendances are as follows:

Director	Meeting
Mr Choi Siew Hong	8/8
Mr Norman Ip Ka Cheung	8/8
En Razman Ariffin	8/8

Meetings were carried out in accordance with agenda 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 General Manager, Group 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

Each member of the Audit Committee is financially literate and the Committee carried out its duties in accordance with its terms of reference during the financial year 31 December 2008, 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 2008, and carried out 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;

Summary of activities of the Committee during the financial year under review (cont'd)

- Reviewed the risk assessment update for a significant operating subsidiary and assessed appropriateness of the mitigation action plans to address the principal risks;

- Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

- 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; and

- Reviewed and recommended to the Board policy on whistle blowing which was subsequently adopted.

Group Internal Audit Function

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

During the financial year ended 31 December 2008, 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. The Group General Manager, Internal Audit attended the Committee meetings and presented reports on areas of audit concern for the Committee's deliberation.

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: 16 March 2009

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 of Directors of Malaysia Smelting Corporation Berhad ("the Board") is committed to maintaining a sound system of internal control in the Group in accordance with the Malaysian Code on Corporate Governance.

Set out below is the Board's statement outlining the nature and scope of internal control of the Group during the financial year ended 31 December 2008.

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 totally eliminate associated 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 is the ultimate owner of risk assessment process and internal control systems, Management has been tasked with the implementation of 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 establishes formal risk management frameworks in identifying principal risks faced by significant operating entities of the Group, and continuously evaluates the systems in place to manage these risks.

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 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 Group's risk management exercise is a continuous monitoring process considering the changing business environment where appropriate risk assessment update is conducted to revisit risk profiles of major business units, particularly in updating the key business risks and reviewing appropriateness of the mitigation action plans. For the year under review, the risk assessment update for a significant operating subsidiary, PT Koba Tin, was carried out to ensure that the principal risks were updated and monitored on an ongoing basis.

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's response to issues raised in the reports, before making recommendations to the Board to enhance 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 performed routine and financial-based audits as part of its programme to cover strategic, operational and financial aspects of Group operations.

The Group has an in-house Internal Audit function that reports directly to the Audit Committee. Where considered appropriate, the in-house Internal Audit function would procure internal audit services from outside parties as a means to augment its efforts in conducting internal audit projects and reviews for the Group.

During the financial year, the Group Internal Audit function carried out internal audits of the Group on a continuous basis to review the adequacy of internal controls in the auditable areas and to assess consistency in the compliance with the established policies and procedures. Likewise, the Group Internal Audit function also worked on a co-sourced basis with an independent professional firm to perform a risk assessment update and the risk-based internal audit for a significant operating subsidiary.

Other Risk and Control Processes

The Board considers the following as complements to the goals espoused 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;

- a key financial policies and procedures for major business units, covering core processes like asset management, purchasing and payment, inventory and payroll; and

- a chart of authority prescribing limits of authority.

Conclusion

The Board is committed towards improving the state of the Group's internal control system. For the financial year under review, there were no material losses resulting from weaknesses in internal control.

This statement was made in accordance with a resolution of the Board of Directors dated 16 March 2009.

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 2008.

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 other than those arising from the new associates acquired during the year as disclosed in Note 14 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the year	**(46,787)**	**(34,137)**
Attributable to:		
Equity holders of the Company	**(46,337)**	**(34,137)**
Minority interests	**(450)**	**–**
	(46,787)	**(34,137)**

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 other than as disclosed in the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2007 were as follows:

	RM'000
In respect of the financial year ended 31 December 2007 as reported in the directors' report of that year:	
Final dividend of 10 sen tax exempt and 10 sen, less tax at 26% per share paid on 28 May 2008	13,050
In respect of the financial year ended 31 December 2008:	
Interim dividend of 8 sen less tax at 26% per share paid on 28 October 2008	4,440

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2008.

SHARE CAPITAL

During the financial year, the Company increased its authorised ordinary share capital from RM100,000,000 to RM500,000,000 through the creation of 400,000,000 ordinary shares of RM1 each. The new ordinary shares created during the year ranked pari pasu in all respects with the existing ordinary shares of the Company.

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	(Chairman)
Dato' Seri Dr Mohd. Ajib Anuar	(Executive Director)
* Mr. Choi Siew Hong	
* En. Razman Ariffin	
Ms. Victoria Ko Miu Ha	
Mr. Yeo Eng Kwang	(Appointed on 2/9/2008)

* Being members of Audit Committee

In accordance with Article 101 of the Articles of Association of the Company, the director retiring by rotation this year is En Razman Ariffin and, being eligible offers himself for re-election.

In accordance with Article 106 of the Articles of Association of the Company, Mr Yeo Eng Kwang retires at the forthcoming Annual General Meeting and, being eligible offers himself 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 3ii and Note 29 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 2008/ *At date of appointment	**Bought**	**Sold**	**31 December 2008**
Holding Company				
Direct interest				
Mr. Norman Ip Ka Cheung	23,640	–	–	23,640
En. Razman Ariffin	1,200	–	(1,200)	–
Ms Victoria Ko Miu Ha	*49,400	–	–	*49,400
Indirect interest				
Mr. Norman Ip Ka Cheung	25,644	–	–	25,644

	Number of ordinary shares of RM1 each			
	1 January 2008/ *At date of appointment	**Bought**	**Sold**	**31 December 2008**
The Company				
Direct interest				
Dato' Seri 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
Ms. Victoria Ko Miu Ha	* 50,000	–	–	* 50,000

* At date of appointment on 2 January 2008

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 28 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 32 to the financial statements.

SUBSEQUENT EVENTS

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

HOLDING COMPANIES

The immediate 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 ultimate holding company of the Company is The Cairns Private Limited, a company incorporated in Singapore.

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 forthcoming Annual General Meeting.

Signed on behalf of the board in accordance with a resolution of the directors dated 16 March 2009.

Norman Ip Ka Cheung **Dato' Seri Dr Mohd. Ajib Anuar**

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Norman Ip Ka Cheung and Dato' Seri 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 115 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 2008 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 16 March 2009.

Norman Ip Ka Cheung **Dato' Seri 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 115 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 16 March 2009.

Yap Fook Ping

Before me,

Commissioner for Oaths
Penang

INDEPENDENT AUDITORS' REPORT

to the members of Malaysia Smelting Corporation Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Malaysia Smelting Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 52 to 115.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 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 2008 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements.

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

(d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lim Foo Chew
No. 1748/01/10(J)
Chartered Accountant

Penang, Malaysia
Date: 16 March 2009

INCOME STATEMENTS

For the year ended 31 December 2008

		Group		Company	
		2008	2007	2008	2007
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	3	**2,276,367**	1,913,143	**2,276,363**	1,896,790
Profit/(Loss) from operations	3	**10,502**	134,896	**(17,418)**	56,089
Finance costs	4	**(24,782)**	(14,620)	**(19,323)**	(14,620)
Share of (loss)/profit of associates		**(13,878)**	719	**–**	–
(Loss)/Profit before tax		**(28,158)**	120,995	**(36,741)**	41,469
Income tax expense	6	**(18,629)**	(42,779)	**2,604**	(6,751)
(Loss)/Profit for the year		**(46,787)**	78,216	**(34,137)**	34,718
Attributable to:					
Equity holders of the Company		**(46,337)**	67,441	**(34,137)**	34,718
Minority interests		**(450)**	10,775	**–**	–
		(46,787)	78,216	**(34,137)**	34,718
(Loss)/Earning per share attributable to equity holders of the Company - (sen)					
- Basic, for (loss)/profit for the year	7	**(61.8)**	89.9		
Net dividends paid per share - (sen)	8	**23.3**	14.6	**23.3**	14.6

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS
As at 31 December 2008

		Group		Company	
		2008	**2007**	**2008**	**2007**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current assets					
Property, plant and equipment	9	**106,921**	94,497	**10,539**	9,800
Prepaid land lease payments	10	**1,298**	1,354	**–**	–
Base inventory	11	**3,000**	3,000	**3,000**	3,000
Intangible assets	12	**4,621**	7,127	**–**	–
Investment in subsidiaries	13	**–**	–	**18,366**	18,366
Investment in associates	14	**194,500**	28,464	**201,134**	22,210
Other investments	15	**47,261**	67,300	**47,261**	67,300
Other assets	16	**64,728**	30,062	**–**	–
Deferred tax assets	26	**18,073**	24,383	**4,614**	1,439
		440,402	256,187	**284,914**	122,115
Current assets					
Inventories	17	**260,823**	308,473	**81,116**	108,416
Trade and other receivables	18	**256,025**	223,274	**351,800**	364,728
Tax recoverable		**32,722**	1,544	**9,167**	1,543
Cash, bank balances and deposits	19	**72,574**	51,930	**48,329**	27,655
		622,144	585,221	**490,412**	502,342
Current liabilities					
Provision for liabilities	20	**320**	2,292	**–**	–
Borrowings	21	**503,247**	333,934	**475,296**	333,934
Trade and other payables	22	**66,612**	56,408	**76,164**	23,269
Current tax payable		**18,836**	15,037	**–**	–
		589,015	407,671	**551,460**	357,203
Net current assets/(liabilities)		**33,129**	177,550	**(61,048)**	145,139
		473,531	433,737	**223,866**	267,254
Equity					
Equity attributable to equity holders of the Company					
Share capital	23	**75,000**	75,000	**75,000**	75,000
Other reserves	24	**9,467**	(732)	**4,426**	3,443
Retained earnings	25	**212,032**	275,859	**128,184**	179,811
		296,499	350,127	**207,610**	258,254
Minority interests		**44,033**	45,416	**–**	–
Total equity		**340,532**	395,543	**207,610**	258,254
Non-current liabilities					
Provision for liabilities	20	**28,691**	27,179	**–**	–
Deferred tax liabilities	26	**2,033**	2,015	**–**	–
Borrowings	21	**102,275**	9,000	**16,256**	9,000
		132,999	38,194	**16,256**	9,000
		473,531	433,737	**223,866**	267,254

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008

		Attributable to equity holders of the Company					
			Non-Distributable	Distributable			
	Note	Share capital RM'000	Other reserves (Note 24) RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group							
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
At 1 January 2008		**75,000**	**(732)**	**275,859**	**350,127**	**45,416**	**395,543**
Revaluation of properties		**–**	**3, 690**	**–**	**3,690**	**–**	**3,690**
Foreign currency translation representing net gains not recognised in the income statement		**–**	**6,509**	**–**	**6,509**	**2,621**	**9,130**
Net income recognised directly in equity		**–**	**10,199**	**–**	**10,199**	**2,621**	**12,820**
Loss for the year		**–**	**–**	**(46,337)**	**(46,337)**	**(450)**	**(46,787)**
Total recognised income and expense for the year		**–**	**10,199**	**(46,337)**	**(36,138)**	**2,171**	**(33,967)**
Dividends	8	**–**	**–**	**(17,490)**	**(17,490)**	**(3,554)**	**(21,044)**
At 31 December 2008		**75,000**	**9,467**	**212,032**	**296,499**	**44,033**	**340,532**

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the year ended 31 December 2008

	Note	Share capital RM'000	Non-Distributable Other reserves (Note 24) RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company					
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
At 1 January 2008		**75,000**	**3,443**	**179,811**	**258,254**
Revaluation of properties		**–**	**983**	**–**	**983**
Net income recognised directly in equity		**–**	**983**	**–**	**983**
Loss for the year		**–**	**–**	**(34,137)**	**(34,137)**
Total recognised income and expense for the year		**–**	**983**	**(34,137)**	**(33,154)**
Dividends	8	**–**	**–**	**(17,490)**	**(17,490)**
At 31 December 2008		**75,000**	**4,426**	**128,184**	**207,610**

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

For the year ended 31 December 2008

		Group		Company	
		2008	2007	2008	2007
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
(Loss)/Profit before taxation		**(28,158)**	120,995	**(36,741)**	41,469
Adjustments for:					
Amortisation of mining rights	12	**2,687**	1,817	**–**	–
Amortisation of deferred mine development and exploration expenditure	16	**6,240**	4,821	**–**	–
Deferred exploration expenditure written-off	16	**2,128**	1,352	**–**	–
Depreciation	9	**13,351**	13,230	**1,519**	1,650
Amortisation of land lease payments	10	**89**	162	**–**	–
Interest expense	4	**24,749**	14,606	**19,290**	14,606
Increase/(Decrease) in impairment of investment in associates		**41,988**	(6,667)	**43,012**	(3,434)
Increase/(Decrease) in impairment of other investments	15	**510**	(372)	**510**	(372)
Unrealised gain on exchange		**–**	–	**(4,582)**	–
Provision for mine rehabilitation	20	**6,716**	217	**–**	–
Provision for severance benefits	20	**4,116**	5,442	**–**	–
(Reversal of)/Write down of tin slag inventory		**(30,162)**	32,060	**–**	–
Impairment of property, plant and equipment	9	**1,640**	–	**–**	–
Share of loss/(profit) of associates		**13,878**	(719)	**–**	–
Specific provision for doubtful debts		**189**	1,049	**–**	–
Dividend income		**–**	–	**(47)**	(47)
Gain on disposal of property, plant and equipment		**(27)**	(2,577)	**(25)**	(2,491)
Interest income		**(10,072)**	(3,390)	**(21,846)**	(20,428)
Property, plant and equipment written off		**107**	455	**5**	9
Operating profit before working capital changes		**49,969**	182,481	**1,095**	30,962
Decrease/(Increase) in inventories		**78,146**	(36,111)	**27,300**	(11,469)
Increase in receivables		**(18,312)**	(71,508)	**(19,403)**	(50,546)
Decrease in amount due from subsidiaries		**–**	–	**72,478**	34,476
Increase in amount due from associates		**(10,507)**	(1,937)	**(14,805)**	(1,937)
(Increase)/Decrease in amount due from related companies		**(2,790)**	391	**(3,228)**	517
Increase/(Decrease) in payables		**8,951**	(15,957)	**16,693**	(21,066)
Decrease in provisions		**(2)**	(2,306)	**–**	–
Increase in amount due to a subsidiary		**–**	–	**35,981**	6,985
Increase in amount due to an associate		**50**	–	**50**	–
(Decrease)/Increase in amount due to a related company		**(96)**	96	**(96)**	96
Cash generated from/(used in) operations carried forward		**105,409**	55,149	**116,065**	(11,982)

		Group		Company	
		2008	2007	2008	2007
	Note	RM'000	RM'000	RM'000	RM'000
Cash generated from/(used in) operations brought forward		**105,409**	55,149	**116,065**	(11,982)
Income tax paid		**(39,890)**	(24,976)	**(8,234)**	(10,057)
Interest paid		**(23,448)**	(15,716)	**(20,520)**	(15,716)
Severance benefits paid	20	**(6)**	(5,574)	**–**	–
Net cash (used in)/from operating activities		**42,065**	8,883	**87,311**	(37,755)
Cash flows from investing activities					
Acquisition of a subsidiary		**–**	(411)	**–**	–
Purchase of other investments		**(47,150)**	(66,679)	**(47,150)**	(66,679)
Payment for an insurance scheme		**(3,013)**	(7,963)	**–**	–
Purchase of shares in associates		**(155,257)**	(5,523)	**(155,257)**	(5,523)
Payment for mining rights	12	**(181)**	(2,000)	**–**	–
Net dividend received from an associate		**35**	34	**35**	34
Interest received		**8,740**	4,600	**9,494**	4,317
Purchase of property, plant and equipment		**(21,412)**	(14,512)	**(1,228)**	(3,230)
Payment for deferred mine development and exploration expenditure	16	**(50,670)**	(12,465)	**–**	–
Proceeds from disposal of property, plant and equipment		**82**	6,508	**25**	6,422
Net cash used in investing activities		**(268,826)**	(98,411)	**(194,081)**	(64,659)
Cash flows from financing activities					
Borrowing from short-term trade financing		**153,047**	55,210	**134,448**	50,585
Borrowing from term loans		**121,890**	12,000	**17,625**	12,000
Repayment of term loans		**(11,767)**	(2,932)	**(6,340)**	(2,932)
Effect of changes in foreign exchange rates		**5,279**	(11,823)	**(799)**	–
Dividends paid					
- shareholders of the Company		**(17,490)**	(10,950)	**(17,490)**	(10,950)
- minority shareholders of a subsidiary		**(3,554)**	–	**–**	–
Net cash from financing activities		**247,405**	41,505	**127,444**	48,703
Net increase/(decrease) in cash and cash equivalents		**20,644**	(48,023)	**20,674**	(53,711)
Cash and cash equivalents at 1 January		**51,930**	99,953	**27,655**	81,366
Cash and cash equivalents at 31 December	19	**72,574**	51,930	**48,329**	27,655

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 respectively.

There have been no significant changes in the nature of the principal activities during the financial year other than those arising from new associates acquired during the year as disclosed in Note 14.

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 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 ultimate holding company of the Company is The Cairns Private Limited, a company incorporated in Singapore.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 March 2009.

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 (FRSs) in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis except for certain freehold land and buildings included within property, plant and equipment that have been measured at their fair values.

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. Deferred mine exploration and evaluation expenditure

Deferred 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. Deferred mine development expenditure

Deferred 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 and building are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and building are 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 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.

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 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.

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 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 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(h) Inventories (cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(i) Financial instruments (cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(l) Income tax (cont'd)

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 actuarial 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. These 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 Company's net investment in foreign operations are recognised in the income statement in the Company's separate 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(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.

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs, amendments to FRSs and interpretations

On 1 January 2008, the Group and the Company adopted the following new and revised FRSs, amendments to FRSs and interpretations:

FRSs, Amendments to FRSs and Interpretations

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

The revised FRS, amendment to FRS and interpretations above do not have any significant impact on the financial statements of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards and interpretations issued but not yet effective

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

FRSs and Interpretations		**Effective for financial periods beginning on or after**
FRS 4	: Insurance Contracts	1 January 2010
FRS 7	: Financial Instruments: Disclosures	1 January 2010
FRS 8	: Operating Segments	1 July 2009
FRS 139	: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	: Interim Financial Reporting and Impairment	1 January 2010

The new FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8.

The Group and the Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and 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 2008 are RM106,921,000 (2007: RM94,497,000) and RM10,539,000 (2007: RM9,800,000) 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 2008 are RM4,621,000, RM34,877,000 and RM29,851,000 (2007: RM7,127,000, RM11,599,000 and RM10,500,000) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Significant accounting estimates and judgments (cont'd)

Key sources of estimation uncertainty (cont'd)

iii. Impairment loss on investment in associates

The Company acquired new associates which principally involve in exploration and mining of various minerals and metals. The impairment assessment were based on projected value of the estimated quantity of recoverable reserves and resources. These require estimates and assumptions on the quantity of recoverable reserves and resources, expected future costs and expenses to produce the minerals and metals, effective interest rates, expected commencement date for commercial production and future prices used. Actual outcomes could defer from these estimates and assumptions. The carrying amount included in cost of investment in associates at 31 December 2008 are RM194,500,000 and RM201,134,000 for the Group and Company respectively.

iv. Provision for mine rehabilitation and restoration costs

Provision for restoration costs is provided based on the present value of the estimated expenditure to be incurred. Significant management judgement and estimation is required in determining the expenditure to be incurred subsequent to the cessation of production of each mine property. Where expectations differ from the original estimates, the differences will impact the carrying amount of provision for mine rehabilitation and restoration costs.

v. Deferred tax assets

Deferred tax assets are recognised for provisions to the extent that it is probable that taxable profits will be available against which the provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

vi. Write-down of obsolete or slow moving inventories to net realisable value

The write down of obsolete or slow moving inventories based on assessment of its ageing. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

vii. Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

viii. Income taxes

The Group and Company are subject to income taxes in Malaysia and other overseas jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

3. PROFIT/(LOSS) FROM OPERATIONS

i. Profit/(Loss) from operations is calculated as follows:

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Sale of goods	**2,269,927**	1,908,396	**2,269,923**	1,892,043
Tin warehousing and delivery charges	**6,440**	4,747	**6,440**	4,747
Revenue	**2,276,367**	1,913,143	**2,276,363**	1,896,790
Cost of inventories sold	**(2,137,018)**	(1,729,625)	**(2,228,544)**	(1,851,088)
Gross profit	**139,349**	183,518	**47,819**	45,702
Other operating income	**38,014**	30,535	**55,711**	43,874
Marketing and distribution expenses	**(20,830)**	(18,142)	**(2,842)**	(2,319)
Administrative expenses	**(28,912)**	(28,691)	**(3,683)**	(7,467)
Other operating expenses	**(117,119)**	(32,324)	**(114,423)**	(23,701)
Profit/(Loss) from operations	**10,502**	134,896	**(17,418)**	56,089

ii. Profit/(Loss) from operations is stated:

		Group		Company	
		2008	2007	2008	2007
	Note	RM'000	RM'000	RM'000	RM'000
After charging:					
Auditors' remuneration:					
- statutory audits		**489**	416	**100**	100
- under provision in prior year		**1**	66	**–**	30
Amortisation of prepaid land lease payments	10	**89**	162	**–**	–
Amortisation of mining rights	12	**2,687**	1,817	**–**	–
Amortisation of deferred mine exploration and development expenditure	16	**6,240**	4,821	**–**	–
Deferred expenditure written-off	16	**2,128**	1,352	**–**	–
Depreciation of property, plant and equipment	9	**13,351**	13,230	**1,519**	1,650
Employee benefits expense	5	**55,463**	53,595	**14,443**	16,075
Directors' remuneration:					
Present					
- fees		**342**	581	**321**	209
- benefits-in-kind		**21**	89	**21**	87
Past					
- fees		**74**	185	**74**	185

3. PROFIT/(LOSS) FROM OPERATIONS (CONT'D)

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

		Group		**Company**	
		2008	**2007**	**2008**	**2007**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
After charging: (cont'd)					
Hire of equipment and vehicles		**9**	12	**9**	12
Impairment of investment in associates		**41,988**	–	**43,012**	–
Impairment of property, plant and equipment	9	**1,640**	–	**–**	–
Impairment of other investments		**510**	–	**510**	–
Net foreign exchange loss		**28,975**	4,079	**28,508**	3,383
Property, plant and equipment written off		**107**	455	**5**	9
Provision for mine rehabilitation	20	**6,716**	217	**–**	–
Provision for severance benefits	20	**4,116**	5,442	**–**	–
Rental of land and buildings		**316**	873	**1,927**	1,957
Secretarial fees payable to a director of a foreign subsidiary		**18**	26	**–**	–
Specific provision for doubtful debts		**189**	1,049	**–**	–
Write down of inventory value		**9,531**	–	**6,490**	–
Write down of tin slag inventory		**–**	32,060	**–**	–
and crediting:					
Gain on disposal of property, plant and equipment		**27**	2,577	**25**	2,491
Gross dividend received from an associate		**–**	–	**47**	47
Interest income		**10,072**	3,390	**21,846**	20,428
Reversal of write down of tin slag inventory no longer required		**30,162**	–	**–**	–
Reversal of impairment of investment in an associate		**–**	6,667	**–**	3,434
Reversal of impairment of other investments		**–**	372	**–**	372

4. FINANCE COSTS

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Interest expenses on bank borrowings	**24,749**	14,606	**19,290**	14,606
Commitment fees	**33**	14	**33**	14
	24,782	14,620	**19,323**	14,620

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Wages and salaries	**46,186**	41,711	**12,079**	13,732
Social security contribution	**221**	192	**125**	119
Contribution to defined contribution plan	**3,229**	2,825	**1,390**	1,392
Severance benefits (Note 20 (a))	**4,116**	5,442	**–**	–
Other benefits	**1,711**	3,425	**849**	832
	55,463	53,595	**14,443**	16,075

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

6. INCOME TAX EXPENSE

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Current income tax:				
Malaysian income tax	**6,315**	13,356	**–**	9,139
Foreign tax	**4,386**	40,973	**–**	–
	10,701	54,329	**–**	9,139
Under/(Over) provision in prior years:				
Malaysian income tax	**1,061**	(915)	**622**	(1,007)
	11,762	53,414	**622**	8,132
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	**6,681**	(10,660)	**(3,628)**	(1,381)
Under provision in prior year	**186**	25	**402**	–
	6,867	(10,635)	**(3,226)**	(1,381)
Total income tax expense	**18,629**	42,779	**(2,604)**	6,751

6. INCOME TAX EXPENSE (CONT'D)

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 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% (2007: 30%).

A reconciliation of income tax expense applicable to (loss)/profit before tax 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:

	2008 RM'000	2007 RM'000
Group		
(Loss)/Profit before tax	**(28,158)**	120,995
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	**(7,321)**	32,669
Effect of income subject to tax at 20% (2007: 20%)	**(30)**	(35)
Different tax rates in other countries	**848**	2,231
Income not subject to tax	**(3,303)**	(5,401)
Expenses not deductible for tax purpose	**27,164**	14,225
Under provision of deferred tax in prior year	**186**	25
Under/(Over) provision of tax expense in prior years	**1,061**	(915)
Effect of change in tax rate on opening deferred taxes	**24**	(20)
	18,629	42,779
Company		
(Loss)/Profit before tax	**(36,741)**	41,469
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	**(9,553)**	11,197
Income not subject to tax	**(3,237)**	(5,401)
Expenses not deductible for tax purposes	**9,162**	1,962
Under provision of deferred tax in prior years	**402**	–
Under/(Over) provision of tax expense in prior years	**622**	(1,007)
Income tax expense for the year	**(2,604)**	6,751

7. BASIC (LOSS)/EARNING PER SHARE

Basic (loss)/earning per share amount is calculated by dividing (loss)/profit for the year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	Group	
	2008 RM'000	**2007 RM'000**
(Loss)/Profit attributable to ordinary equity holders of the Company	**(46,337)**	67,441
Average number of ordinary shares in issue	**75,000**	75,000
Basic (loss)/earning per share (sen per share)	**(61.8)**	89.9

8. DIVIDENDS

	Amount		Net dividend paid per share	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**Sen**	**Sen**
Final dividend for the previous year				
- 10 sen tax exempt and 10 sen less tax at 26% (2007: 12 sen less tax at 27%)	**13,050**	6,570	**17.4**	8.8
Interim dividend for the year				
- 8 sen less tax at 26% (2007: 8 sen less tax at 27%)	**4,440**	4,380	**5.9**	5.8
	17,490	10,950	**23.3**	14.6

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2008.

9. PROPERTY, PLANT AND EQUIPMENT

Group	**Freehold land RM'000**	**Buildings RM'000**	**Plant, equipment, vehicles and furniture RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
2008					
Cost or Valuation					
At 1 January 2008					
- At cost	**105**	**3,982**	**274,863**	**15,600**	**294,550**
- At valuation	**13,695**	**18,894**	**–**	**–**	**32,589**
	13,800	**22,876**	**274,863**	**15,600**	**327,139**
Additions	**–**	**–**	**10,072**	**11,340**	**21,412**
Disposals/Written off	**–**	**–**	**(1,381)**	**–**	**(1,381)**
Transfer in/(out)	**–**	**815**	**18,522**	**(19,337)**	**–**
Revaluation adjustments	**1,764**	**(2,606)**	**–**	**–**	**(842)**
Exchange translation differences	**–**	**265**	**11,360**	**520**	**12,145**
At 31 December 2008	**15,564**	**21,350**	**313,436**	**8,123**	**358,473**
Representing:					
- At cost	**–**	**–**	**313,436**	**8,123**	**321,559**
- At valuation	**15,564**	**21,350**	**–**	**–**	**36,914**
At 31 December 2008	**15,564**	**21,350**	**313,436**	**8,123**	**358,473**

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

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2008					
Accumulated depreciation and impairment losses					
At 1 January 2008	**–**	**3,501**	**229,141**	**–**	**232,642**
Depreciation charge for the year (Note 3ii)	**–**	**1,237**	**12,114**	**–**	**13,351**
Revaluation adjustments	**–**	**(4,825)**	**–**	**–**	**(4,825)**
Impairment loss (Note 3ii)	**–**	**–**	**910**	**730**	**1,640**
Disposals/Written off	**–**	**–**	**(1,218)**	**–**	**(1,218)**
Exchange translation differences	**–**	**87**	**9,875**	**–**	**9,962**
At 31 December 2008	**–**	**–**	**250,822**	**730**	**251,552**
Net carrying amount					
- At cost	**–**	**–**	**62,614**	**7,393**	**70,007**
- At valuation	**15,564**	**21,350**	**–**	**–**	**36,914**
At 31 December 2008	**15,564**	**21,350**	**62,614**	**7,393**	**106,921**
2007					
Cost or Valuation					
At 1 January 2007					
- At cost	105	1,059	297,976	4,861	304,001
- At valuation	13,695	19,134	–	–	32,829
	13,800	20,193	297,976	4,861	336,830
Additions	–	1,905	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	–	–	–	5,134	5,134
Exchange translation differences	–	(279)	(15,878)	(469)	(16,626)
At 31 December 2007	13,800	22,876	274,863	15,600	327,139
Representing:					
- At cost	105	3,982	274,863	15,600	294,550
- At valuation	13,695	18,894	–	–	32,589
At 31 December 2007	13,800	22,876	274,863	15,600	327,139

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

Group	**Freehold land RM'000**	**Buildings RM'000**	**Plant, equipment, vehicles and furniture RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
2007					
Accumulated depreciation and impairment losses					
At 1 January 2007	–	2,346	238,916	–	241,262
Depreciation charge for the year (Note 3ii)	–	1,218	12,012	–	13,230
Disposals/Written off	–	–	(8,722)	–	(8,722)
Exchange translation differences	–	(63)	(13,065)	–	(13,128)
At 31 December 2007	–	3,501	229,141	–	232,642
Net carrying amount					
- At cost	105	3,549	45,722	15,600	64,976
- At valuation	13,695	15,826	–	–	29,521
At 31 December 2007	13,800	19,375	45,722	15,600	94,497
Net carrying value (had the revalued property, plant and equipment been carried at cost less depreciation)					
At 31 December 2008	**9,462**	**10,932**	**62,614**	**7,393**	**90,401**
At 31 December 2007	9,462	10,502	45,722	15,600	81,286

Company	**Freehold land RM'000**	**Buildings RM'000**	**Plant, equipment, vehicles and furniture RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
2008					
Cost or Valuation					
At 1 January 2008					
- At cost	**–**	**1,842**	**36,604**	**93**	**38,539**
- At valuation	**109**	**5,500**	**–**	**–**	**5,609**
	109	**7,342**	**36,604**	**93**	**44,148**
Additions	**–**	**–**	**–**	**1,228**	**1,228**
Disposals/Written off	**–**	**–**	**(112)**	**–**	**(112)**
Transfer in/(out)	**–**	**568**	**695**	**(1,263)**	**–**
Revaluation adjustments	**71**	**190**	**–**	**–**	**261**
At 31 December 2008	**180**	**8,100**	**37,187**	**58**	**45,525**
Representing:					
- At cost	**–**	**–**	**37,187**	**58**	**37,245**
- At valuation	**180**	**8,100**	**–**	**–**	**8,280**
At 31 December 2008	**180**	**8,100**	**37,187**	**58**	**45,525**

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

Company	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2008					
Accumulated depreciation and impairment losses					
At 1 January 2008	**–**	**566**	**33,782**	**–**	**34,348**
Depreciation charge for the year (Note 3ii)	**–**	**208**	**1,311**	**–**	**1,519**
Disposals/Written off	**–**	**–**	**(107)**	**–**	**(107)**
Revaluation adjustments	**–**	**(774)**	**–**	**–**	**(774)**
At 31 December 2008	**–**	**–**	**34,986**	**–**	**34,986**
Net carrying amount					
- At cost	**–**	**–**	**2,201**	**58**	**2,259**
- At valuation	**180**	**8,100**	**–**	**–**	**8,280**
At 31 December 2008	**180**	**8,100**	**2,201**	**58**	**10,539**
2007					
Cost or Valuation					
At 1 January 2007					
- At cost	–	–	36,171	–	36,171
- At valuation	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	109	5,500	–	–	5,609
At 31 December 2007	109	7,342	36,604	93	44,148

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

Company	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2007					
Accumulated depreciation and impairment losses					
At 1 January 2007	–	413	33,138	–	33,551
Depreciation charge for the year (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	109	4,949	–	–	5,058
At 31 December 2007	109	6,776	2,822	93	9,800
Net carrying value (had the revalued property, plant and equipment been carried at cost less depreciation)					
At 31 December 2008	**109**	**6,894**	**2,201**	**58**	**9,262**
At 31 December 2007	109	6,525	2,822	93	9,549

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

Group/Company

Freehold land and buildings owned by the Group and the Company were revalued in December 2008 by the directors based on a valuation carried out by firms of professional valuers as follows:

	Valuer	Date of valuation	Description of property	Valuation Amount RM'000	Net book value RM'000	Basis of valuation
(a)	Judy Ong Mei-Chen, MRICS MISM Chartered Valuation Surveyor & Registered Valuer	10 Sept 2008	Office lot in Kuala Lumpur	4,100	3,287	Open market value
(b)	Tay Tam, FISM Registered Valuer	16 Oct 2008	Vacant land in Juru	180	109	Open market value
		16 Oct 2008	80 units flats in Bukit Mertajam	4,000	3,850	Open market value
		20 Oct 2008	Land and Tin Smelting industrial complex in Butterworth	24,043	21,511	Depreciated replacement cost
		14 Oct 2008	Land and buildings in Daerah Hulu Perak	278	225	Depreciated replacement cost
(c)	Ir Antonius Setiady, SCV, MAPPI (Cert) Public Valuer, Registered Valuer	31 Dec 2008	Buildings in Koba, Bangka Island	2,873	2,373	Depreciated replacement cost
		31 Dec 2008	Buildings in Pangkal Pinang, Bangka Island	265	352	Depreciated replacement cost
		31 Dec 2008	Buildings in Air Kantung, Bangka Island	1,175	1,224	Depreciated replacement cost
				36,914	32,931	

10. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	**2007**
	RM'000	**RM'000**
Leasehold land		
At 1 January	**1,354**	1,472
Additions	**–**	89
Exchange translation differences	**33**	(45)
Amortisation for the year (Note 3ii)	**(89)**	(162)
At 31 December	**1,298**	1,354
Analysed as:		
Long-term leasehold land	**35**	39
Short-term leasehold land	**1,263**	1,315
	1,298	1,354

The short term leasehold land have unexpired lease periods of between 1 and 26 years (2007: 1 and 27 years). The long-term leasehold land have unexpired lease period of between 54 and 58 years (2007: 55 years). Application for renewal of a lease which expired in year 2007 has been submitted and awaiting for approval.

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 RM35.827 per kg as at 31 December 2008.

12. INTANGIBLE ASSETS

	Group
	Mining rights
	RM'000
Cost	
At 1 January 2008	**11,922**
Additions	**181**
At 31 December 2008	**12,103**
Accumulated amortisation	
At 1 January 2008	**4,795**
Amortisation for the year (Note 3 ii)	**2,687**
At 31 December 2008	**7,482**
Net carrying amount	
At 31 December 2008	**4,621**
At 31 December 2007	7,127

12. INTANGIBLE ASSETS (CONT'D)

Mining rights consist of the acquisition cost less fair value of net assets of Rahman Hydraulic Tin Sdn. Bhd. and cost incurred for the renewal of the mining right. The acquisition price was based on the projected value of the estimated quantity of recoverable ore reserves of the mining lease.

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	
	2008	**2007**
	RM'000	**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	
			2008	**2007**
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	Off-shore tin mining	**60#**	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

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

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.

Analysis of the acquisition of a subsidiary

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

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

There was 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 was dormant.

The assets and liabilities arising from the acquisition were 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 2008.

14. INVESTMENT IN ASSOCIATES

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
In Malaysia:					
Unquoted shares, at cost		**10,473**	10,473	**10,473**	10,473
Share of post-acquisition reserves		**7,327**	6,254	**–**	–
		17,800	16,727	**10,473**	10,473
Outside Malaysia:					
Quoted shares, at cost		**211,862**	31,696	**211,862**	31,696
Unquoted shares, at cost		**41,770**	–	**41,770**	–
		253,632	31,696	**253,632**	31,696
Share of post-acquisition reserves		**(41,206)**	(26,221)	**–**	–
		212,426	5,475	**253,632**	31,696
(Impairment)/Reversal of impairment	14.1	**(35,726)**	6,262	**(62,971)**	(19,959)
		176,700	11,737	**190,661**	11,737
		194,500	28,464	**201,134**	22,210
Market value of quoted shares		**36,317**	11,737	**36,317**	11,737

Details of the associates are as follows:

Name of Associates	Country of incorporation	Principal activities	Proportion of ownership interest 2008 %	2007 %
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	**43**	49
Asian Mineral Resources Limited*	New Zealand(1)	Exploration and development of mineral property interests(2)	**18**	13
Asiatic Coal Private Limited	Singapore	Investment holding	**30**	–
Beaconsfield Gold NL	Australia	Mining and refining of gold, and exploration of base metals	**22**	–
Guilin Hinwei Tin Co Ltd.	China	Smelting, refining and sales of tin and tin products	**35**	–

14. INVESTMENT IN ASSOCIATES (CONT'D)

* Although the Company holds less than 20% interest in the shareholding of Asian Mineral Resources Limited, the Company exercises significant influence by virtue of its contractual right to appoint a director to the Board of this associated company.

(1) Asian Mineral Resources Limited was originally incorporated in New Zealand in year 1988 and was subsequently incorporated under the laws of the Province of British Columbia, Canada by a certificate of continuance as of December 2004.

(2) Its principal mineral property interests, held through a joint-venture is in Ban Bhuc Project area located in Son La Province, in northwestern Vietnam.

(a) Subsequent to a private placement exercise in May 2008, the Company's shareholding in Australia Oriental Minerals NL was diluted from 49.0% to 42.7%.

(b) The Company subscribed for 6,799,999 common shares of Asian Mineral Resources Limited arising from the exercise of the 6,799,999 warrants at an exercise price of C$2.10 per Warrant for a total cash consideration of approximately RM45.77 million (C$14.3 million). The Subscription was completed on 7 May 2008. The Company's shareholding in Asian Mineral Resources Limited increased from approximately 12.8% in 2007 to approximately 18.2% of Asian Mineral Resources Limited's enlarged issued and paid-up share capital.

(c) On 1 July 2008, the Company jointly with its 42.7% - associate, Australia Oriental Minerals NL, entered into a share sale agreement with Taurus Capital Incorporated for the acquisition of 30% interest each in Asiatic Coal Pte Ltd, totalling 60% of the equity interest in Asiatic Coal Pte Ltd for a cash consideration of RM22.05 million (USD6.75 million) each.

The purchase consideration for the share was based on a valuation of USD15 per tonne for 1.5 million tonnes of coal resources for the entire existing equity interest in Asiatic Coal Pte Ltd. In the event of discovery of measured and indicated coal resources, determined in accordance with the Code for Reporting of Mineral Resources and Ore Reserves of the Australian Joint Ore Reserves Committee, which exceeds a value of 1.5 million tonnes and up to a maximum of 10.0 million tonnes ("Additional Resources"), Asiatic Coal Pte Ltd shall issue additional new ordinary shares in Asiatic Coal to Taurus Capital Incorporated, equivalent to the value of the Additional Resources ("Additional New Shares"). The Company and Australia Oriental Minerals NL will each have the option of acquiring up to 30% of the Additional New Shares. On 1 November 2008, the Company subscribed 435,000 new ordinary shares, being 30% of the total new ordinary share issued by Asiatic Coal Pte Ltd for a cash consideration of approximately RM1.0 million (USD0.3 million). Shareholdings in Asiatic Coal Pte Ltd remains at 30%.

(d) On 12 February 2008, the Company entered into a conditional Subscription Agreement with Beaconsfield Gold NL, a company listed on the Australian Securities Exchange, to subscribe for 70,000,000 common shares representing approximately 18.9% of the enlarged issued and paid-up share capital of Beaconsfield Gold NL for a total cash consideration of approximately RM57 million (AUD19.6 million). The subscription was completed on 3 March 2008. The Company also subscribed for 20,000,000 new ordinary shares amounting to approximately RM9.10 million (AUD3.0 million) in a renounceable rights issue in Beaconsfield Gold NL. The subscriptions were completed on 2 September 2008. The Company's direct shareholding in Beaconsfiel Gold NL increased from 18.9% to 22.5%.

(e) 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. In May 2008, the Company has contributed cash capital of approximately RM17.62 million (RMB39.07 million), representing 35.3% registered capital of Guilin Hinwei Tin Co. Ltd.

The financial statements of the above associates are coterminous with those of the Group, except for Beaconsfield Gold NL which has a financial year end of 30 June. For the purpose of applying the equity method of accounting, the financial statements of Beaconsfield Gold NL for the year ended 30 June 2008 and the management financial statements ended 31 December 2008 were used.

14. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates are as follows:

	Group	
	2008	2007
Share of associates' balance sheet:	**RM'000**	**RM'000**
Assets and liabilities		
Current assets	**43,840**	18,042
Non-current assets	**219,175**	7,920
Total assets	**263,015**	25,962
Current liabilities	**26,563**	3,625
Non-current liabilities	**6,226**	135
Total liabilities	**32,789**	3,760
Share of associates' revenue and (loss)/profit		
Results		
Revenue	**84,554**	20,976
(Loss)/Profit for the year	**(13,878)**	719

14.1 (Impairment)/Reversal of Impairment

Group/Company

Included herein is an impairment loss of RM35.0 million for investment in Asian Mineral Resources Limited.

The impairment loss was assessed based on discounted cash flow on the estimated quantity of recoverable reserves and resources of Nickel over six-year period. Key assumptions are as follows:

i. RM/USD exchange rate : 3.50

ii. Discount rate : 14.50%

iii. Nickel price :

Year	USD/tonne
2010	15,000
2011	22,000
2012	25,000
2013	28,000
2014	30,000
2015	32,000

iv. Commencement of commercial production: 1 July 2010

14. INVESTMENT IN ASSOCIATES (CONT'D)

14.1 (Impairment)/Reversal of Impairment (cont'd)

Group/Company

With other variable held constant, the sensitivity to impairment loss on change in key assumptions is estimated to be as follows:

Key assumptions	Change	Increase/(Decrease) in impairment loss RM'000
Nickel price	+1%	(1,300)
	–1%	1,300
Discount rate	+0.5%	1,800
	–0.5%	(1,800)
RM against USD exchange rate	+1%	(900)
	–1%	900
Commencement of commercial production	Delay by 6 month	5,000

15. OTHER INVESTMENTS

	Group and Company 2008 RM'000	2007 RM'000
Outside Malaysia:		
- Quoted shares, at cost	**1,108**	67,787
- Unquoted investment, at cost	**47,150**	–
	48,258	67, 787
Impairment of investment	**(997)**	(487)
	47,261	67,300
Market value	**111**	60,513

(a) Unquoted investment, at cost

This represents cash payment amounting to RM47,150,000 (2007: RM Nil) pertaining to the Company's investment in Rapu Rapu Copper, Gold, Zinc and Silver Project in Philippines, where share certificates have yet to be issued as disclosed in Note 32(d) to the financial statements.

16. OTHER ASSETS

	Group 2008 RM'000	2007 RM'000
Deferred expenditure	**64,728**	22,099
Insurance scheme	**–**	7,963
	64,728	30,062

16. OTHER ASSETS (CONT'D)

(a) Deferred expenditure

	Deferred exploration and evaluation expenditure RM'000	Deferred mine development expenditure RM'000	Total RM'000
Group			
At 1 January 2008	**11,599**	**10,500**	**22,099**
Additions	**25,340**	**25,330**	**50,670**
Transfer	**(163)**	**163**	**–**
Amortisation to income statement (Note 3ii)	**(37)**	**(6,203)**	**(6,240)**
Write off to income statement (Note 3ii)	**(2,128)**	**–**	**(2,128)**
Amortisation to inventory	**(203)**	**(130)**	**(333)**
Exchange translation differences	**469**	**191**	**660**
At 31 December 2008	**34,877**	**29,851**	**64,728**
At 1 January 2007	7,259	9,250	16,509
Additions	6,145	6,320	12,465
Amortisation to income statement (Note 3ii)	(68)	(4,753)	(4,821)
Write off to income statement (Note 3ii)	(1,352)	–	(1,352)
Exchange translation differences	(385)	(317)	(702)
At 31 December 2007	11,599	10,500	22,099

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 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		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**232,115**	278,960	**73,100**	101,043
Other inventories (stores, spares, fuels and by-products)	**28,708**	29,513	**8,016**	7,373
	260,823	308,473	**81,116**	108,416

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	**157,564**	163,175	**157,564**	147,427
Subsidiaries	**–**	–	**–**	102,102
An associate	**–**	2,608	**–**	2,608
	157,564	165,783	**157,564**	252,137
Provision for doubtful debts				
- Third parties	**(3,100)**	(3,100)	**(3,100)**	(3,100)
Trade receivables, net	**154,464**	162,683	**154,464**	249,037
Other receivables				
Third parties	**78,801**	60,758	**31,997**	16,158
Subsidiaries	**–**	–	**148,015**	98,836
Related companies	**2,916**	126	**3,228**	–
Associates	**13,699**	–	**13,699**	–
	95,416	60,884	**196,939**	114,994
Deposits	**1,581**	1,676	**759**	1,059
Prepayments	**5,863**	56	**–**	–
	102,860	62,616	**197,698**	116,053
Provision for doubtful debts				
- Third parties	**(1,299)**	(2,025)	**(362)**	(362)
	101,561	60,591	**197,336**	115,691
	256,025	223,274	**351,800**	364,728

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Credit risk

The carrying amount of trade and other receivables, amount due from related companies and 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 RM148.02 million (2007: RM200.94 million). Interest rates of between 3% and 9.75% (2007: 3% and 9.75%) per annum are charged on these advances.

(c) Amount due from associates

The amount due from associates under other receivables comprises secured and unsecured short term loan of RM1.20 million and RM12.50 million respectively. Interest are charged between 8% and 10% (2007: Nil) per annum on the short term loans.

Further details on related party transactions are disclosed in Note 29.

Other information on financial risks of receivables are disclosed in Note 30.

19. CASH, BANK BALANCES AND DEPOSITS

	Group		**Company**	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash on hand and at banks	**29,728**	29,281	**23,597**	12,761
Deposits with:				
- licensed banks	**40,313**	21,359	**22,199**	13,604
- licensed finance companies	**2,533**	1,290	**2,533**	1,290
Cash and bank balances	**72,574**	51,930	**48,329**	27,655

20. PROVISION FOR LIABILITIES

	Severance benefits RM'000	Mine rehabilitation RM'000	Total RM'000
Group			
At 1 January 2008	**17,669**	**11,802**	**29,471**
Provision during the year (Note 3ii & 5)	**4,116**	**6,716**	**10,832**
Paid/Utilised during the year	**(6)**	**–**	**(6)**
Plan asset (Note 20.1)	**(11,369)**	**–**	**(11,369)**
Exchange translation differences	**(706)**	**789**	**83**
At 31 December 2008	**9,704**	**19,307**	**29,011**
AT 31 DECEMBER 2008			
Current	**320**	**–**	**320**
Non-current:			
Later than 1 year but not later than 2 years	**964**	**–**	**964**
Later than 2 years but not later than 5 years	**6,730**	**–**	**6,730**
Later than 5 years	**1,690**	**19,307**	**20,997**
	9,384	**19,307**	**28,691**
	9,704	**19,307**	**29,011**
At 31 December 2007			
Current	2,292	–	2,292
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	29,471

20. PROVISION 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	
	2008	**2007**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations	**25,663**	24,930
Fair value of plan asset	**(9,109)**	–
Unrecognised actuarial losses	**(4,824)**	(4,644)
Unrecognised past service costs	**(2,026)**	(2,617)
Net liability	**9,704**	17,669
Analysed as:		
Current	**320**	2,292
Non-current:		
Later than 1 year but not later than 2 years	**964**	2,428
Later than 2 years but not later than 5 years	**6,730**	1,232
Later than 5 years	**1,690**	11,717
	9,384	15,377
	9,704	17,669

The amounts recognised in the income statement are as follows:

	Group	
	2008	**2007**
	RM'000	**RM'000**
Current service cost	**1,474**	1,465
Interest cost	**2,405**	2,869
Net actuarial losses	**559**	458
Past services costs	**591**	650
Expected return on plan asset	**(913)**	–
Total, included in employee benefits expense (Note 5)	**4,116**	5,442

The amounts charged to income statement for 2008 and 2007 have been included in administrative expenses.

20. PROVISION FOR LIABILITIES (CONT'D)

(a) Severance benefits (cont'd)

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

	Group	
	2008	**2007**
	RM'000	**RM'000**
At 1 January	**17,669**	20,051
Recognised in income statement	**4,116**	5,442
Contribution paid	**(6)**	(5,574)
Plan asset (Note 20.1)	**(11,369)**	–
Exchange translation differences	**(706)**	(2,250)
At 31 December	**9,704**	17,669

Principal actuarial assumptions used:

	2008	**2007**
	% per annum	**% per annum**
Discount rate	**12.00**	10.00
Expected rate of salary increases	**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.

20.1 Plan asset

This is in respect of insurance scheme for a severance pay product based on an agreement 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. The fund earns interest at the rate of 9.5% per annum.

21. BORROWINGS

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Short-term borrowings				
Unsecured:				
Short-term trade financing	**263,010**	289,239	**263,010**	289,239
Bankers' acceptances	**114,564**	33,083	**114,564**	33,083
Revolving credit	**104,427**	8,612	**89,509**	8,612
Term loan 1	**3,000**	3,000	**3,000**	3,000
Term loan 2	**13,033**	–	**–**	–
Term loan 3	**5,213**	–	**5,213**	–
	503,247	333,934	**475,296**	333,934
Long-term borrowings				
Unsecured:				
Term loan 1	**6,000**	9,000	**6,000**	9,000
Term loan 2	**86,019**	–	**–**	–
Term loan 3	**10,256**	–	**10,256**	–
	102,275	9,000	**16,256**	9,000
Total borrowings				
Short-term trade financing	**263,010**	289,239	**263,010**	289,239
Bankers' acceptances	**114,564**	33,083	**114,564**	33,083
Revolving credit	**104,427**	8,612	**89,509**	8,612
Term loan 1	**9,000**	12,000	**9,000**	12,000
Term loan 2	**99,052**	–	**–**	–
Term loan 3	**15,469**	–	**15,469**	–
	605,522	342,934	**491,552**	342,934

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

The unsecured term loan 2 is denominated in US Dollar and is repayable by 20 quarterly principal repayments commencing on 20 September 2008.

The unsecured term loan 3 is denominated in US Dollar and is repayable by 16 quarterly principal repayments commencing in May 2009.

Other information on financial risks on borrowings are disclosed in Note 30 (b) to the financial statements.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade payables				
Third parties	**17,905**	10,976	**7,296**	3,356
Subsidiaries	**–**	–	**44,744**	6,985
An associate	**50**	–	**50**	–
	17,955	10,976	**52,090**	10,341
Other payables				
Third parties	**41,653**	15,244	**20,225**	8,193
A subsidiary	**–**	–	**77**	78
A related company	**–**	96	**–**	96
An associate	**500**	500	**500**	500
	42,153	15,840	**20,802**	8,867
Accruals	**6,504**	29,592	**3,272**	4,061
	48,657	45,432	**24,074**	12,928
	66,612	56,408	**76,164**	23,269

(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 29.

Other information on financial risks of payables are disclosed in Note 30.

(c) Amount due to an associate

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

The amount due to an associate under other payables represents security deposit amounting to RM500,000 (2007: 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 3.70% (2007: 3.85%) per annum. The fixed deposit interest earned on the security deposit is payable to the associate.

23. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
Authorised:				
At 1 January	**100,000**	100,000	**100,000**	100,000
Created during the year	**400,000**	–	**400,000**	–
At 31 December	**500,000**	100,000	**500,000**	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.

24. 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 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)
At 1 January 2008	**11,415**	**(13,853)**	**1,706**	**(732)**
Foreign currency translation:				
- Group	**–**	**6,509**	**–**	**6,509**
- Associate	**–**	**–**	**–**	**–**
	–	**6,509**	**–**	**6,509**
Revaluation surplus, net of deferred tax	**3,690**	**–**	**–**	**3,690**
	3,690	**6,509**	**–**	**10,199**
At 31 December 2008	**15,105**	**(7,344)**	**1,706**	**9,467**
Company				
At 1 January 2007/31 December 2007	3,443	–	–	3,443
At 1 January 2008	**3,443**	**–**	**–**	**3,443**
Revaluation surplus, net of deferred tax	**983**	**–**	**–**	**983**
At 31 December 2008	**4,426**	**–**	**–**	**4,426**

24. 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, regardless of the currency of the monetary item.

(c) Capital reserve

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

25. RETAINED EARNINGS

As at 31 December 2008, the Company has tax exempt profits available for distribution of approximately RM46 million (2007: 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 2008 and 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2008 and 2007, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

26. DEFERRED TAX

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**(22,368)**	(13,054)	**(1,439)**	(58)
Recognised in the income statement (Note 6)	**6,867**	(10,635)	**(3,226)**	(1,381)
Recognised in the equity	**293**	–	**51**	–
Exchange translation differences	**(832)**	1,321	**–**	–
At 31 December	**(16,040)**	(22,368)	**(4,614)**	(1,439)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(18,073)**	(24,383)	**(4,614)**	(1,439)
Deferred tax liabilities	**2,033**	2,015	**–**	–
	(16,040)	(22,368)	**(4,614)**	(1,439)

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 2008	**9,095**	**(814)**	**8,281**
Recognised in income statement	**(828)**	**(45)**	**(873)**
Recognised in equity	**293**	**–**	**293**
Exchange translation difference	**110**	**–**	**110**
At 31 December 2008	**8,670**	**(859)**	**7,811**
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

26. DEFERRED TAX (CONT'D)

Deferred tax assets of the Group

	Unused tax losses and unabsorbed capital allowances RM'000	Other provisions RM'000	Total RM'000
At 1 January 2008	**–**	**(30,649)**	**(30,649)**
Recognised in income statement	**(4,215)**	**11,955**	**7,740**
Exchange translation differences	**–**	**(942)**	**(942)**
At 31 December 2008	**(4,215)**	**(19,636)**	**(23,851)**
At 1 January 2007	–	(21,824)	(21,824)
Recognised in income statement	–	(10,295)	(10,295)
Exchange translation differences	–	1,470	1,470
At 31 December 2007	–	(30,649)	(30,649)

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2008	**1,723**	**(814)**	**909**
Recognised in income statement	**(692)**	**(45)**	**(737)**
Recognised in equity	**51**	**–**	**51**
At 31 December 2008	**1,082**	**(859)**	**223**
At 1 January 2007	1,815	(537)	1,278
Recognised in income statement	(92)	(277)	(369)
At 31 December 2007	1,723	(814)	909

26. DEFERRED TAX (CONT'D)

Deferred tax assets of the Company

	Unused tax losses and unabsorbed capital allowances RM'000	Other provisions RM'000	Total RM'000
At 1 January 2008	**–**	**(2,348)**	**(2,348)**
Recognised in income statement	**(4,215)**	**1,726**	**(2,489)**
At 31 December 2008	**(4,215)**	**(622)**	**(4,837)**
At 1 January 2007	–	(1,336)	(1,336)
Recognised in income statement	–	(1,012)	(1,012)
At 31 December 2007	–	(2,348)	(2,348)

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

	Group	
	2008 RM'000	2007 RM'000
Unutilised tax losses	**41,017**	24,078

The unutilised tax losses of the Group amounting to RM13,000 (2007: 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 RM41,004,000 (2007: RM24,065,000) that arose in Indonesia which, subject to the approval of the tax authorities, 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.

27. CAPITAL COMMITMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Capital expenditure:				
Approved and contracted for:				
- Property, plant and equipment	**405**	699	**405**	520
Approved but not contracted for:				
- Property, plant and equipment	**2,603**	3,975	**–**	–
- Mine development expenditure	**–**	22,015	**–**	–
	2,603	25,990	**–**	–

28. CONTINGENT LIABILITIES (UNSECURED)

Group

At 31 December 2008, 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) Two former directors of RHT had 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 former directors has commenced proceedings in the Industrial Court for wrongful dismissal as the Managing Director of RHT, seeking reinstatement. The claims were dismissed by the Industrial Court. The said director has appealed against the decision. The Court has fixed 5 May 2009 for hearing of the Judicial Review. 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.

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.

(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 interfered and prevented 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. Plaintiff filed an application to amend the statement of claims and Writ of Summons and wishes to consolidate this matter with another suit which was filed by the Company against one of the directors of the Plaintiff. The matter was fixed for mention on 9 March 2009, but hearing has been postponed.

(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 27 April 2009.

(e) In 2007, 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 RM52,806,000 (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 RM29,517,000 (USD8,482,000).

Based on independent professional advice received by the subsidiary in 2007, the basis for the determination of the above taxes and penalties are still open for revision, therefore, as of 31 December 2007 and 2008, the subsidiary has not recognised any provision for underpayments of taxes and penalties in its financial statements except for an amount of RM1,350,000 (USD388,000) involving withholding tax and related penalties.

28. CONTINGENT LIABILITIES (UNSECURED) (CONT'D)

Group (cont'd)

At 31 December 2008, the Group has the following contingent liabilities: (cont'd)

(f) On 23 January 2008, the Bangka Tengah Police began an investigation on PT Koba Tin following allegation on illegal collection of tin concentrate from subcontractors believed to have come from outside PT Koba Tin's Contract of Work area. In the course of the investigation the Police stopped the smelter operation and police-lined the warehouse containing 528 tonnes of tin ingots and 218 tonnes of tin concentrate. The Police detained four employees and one retiree for investigations. Following Court hearings between October and December 2008, the defendants were found not guilty and were freed of all charges.

(g) In May 2008, the Minister of Energy and Mineral Resources, Indonesia issued a new regulation regarding mine reclamation and closure as detailed in the Minister Regulation No. 18 year 2008, which requires a company to provide a mine closure guarantee in the form of a time deposit placed in a state owned bank in Indonesia. The subsidiary in Indonesia does not believe that a deposit is required under the terms of its Contract of Work but it is working with the Indonesian Mining Association to review these requirements with the Indonesian government and discuss other options for the mine closure guarantee.

(h) On 24 September 2008, the Directorate for Forest Protection and Investigation, commenced an investigation on PT Koba Tin following allegations on violation of Indonesian Forestry Law 1999 - Article 50, section 3 regarding occupying and operating in a protected forest. This was in relation to PT Koba Tin's Merapin dredge which ceased operation in 2002 and was occupying an area later gazetted as protected forest, though it is within the subsidiary's Contract of Work area. The case was still ongoing and the incumbent President Director has been named a suspect, with prosecution and court hearing to follow. PT Koba Tin is confident that the case will be resolved since the dredge had already ceased operation long before the area was gazetted as protected forest and that the President Director only joined PT Koba Tin in 2007.

Company

At 31 December 2008, the Company has the following contingent liabilities:

(a) A bank guarantee for RM1.2 million given by the Company to the Perak State Authorities on behalf of a subsidiary.

(b) A standby letter of credit for RM167 million (USD48.0 million) issued as guarantee for bank facilities amounting to RM114 million (USD32.8 million) utilised by a subsidiary.

(c) 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.

(d) 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 interfered and prevented 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. Plaintiff filed an application to amend the statement of claims and Writ of Summons and wishes to consolidate this matter with another suit which was filed by the Company against one of the directors of the Plaintiff. The matter was fixed for mention on 9 March 2009, but hearing has been postponed.

(e) 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 27 April 2009.

29. 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	Note	2008 RM'000	2007 RM'000
Related companies*:			
- Management fee paid		**7,254**	5,158
Associate:			
- Sales of products	(i)	**56,644**	40,996
Company			
Subsidiaries:			
- Purchase of products	(ii)	**469,206**	420,809
- Interest income	(iii)	**12,319**	17,340
- Management fee received		**352**	387
- Advances	(iv)	**43,643**	20,717
- Rental paid		**1,796**	1,796
Associates:			
- Sales of products	(i)	**56,644**	40,996
- Advances	(iv)	**16,888**	–
- Interest income	(iii)	**584**	–
Related companies*			
- Management fee paid		**3,672**	3,423
- Advances	(v)	**1,498**	–

* The related companies are companies within the The Straits Trading Company Limited group.

(i) The sale of products to an associate was made according to the market prices and conditions offered to the major customers of the Company. It is subject to the Group's normal credit terms which range from cash to 90 days.

(ii) The purchase of products from subsidiaries was made according to the market prices. Amount due to and due by subsidiaries on trade transaction are repayable on demand.

(iii) Interest income arose from the amounts due from subsidiaries and associates. Further details are disclosed in Note 18(b) and (c).

(iv) Advance to subsidiaries and associates are subject to interest charged as disclosed in Note 18(b) and (c).

(v) Advances to related companies are unsecured, interest free and repayable on demand.

Information regarding outstanding balances arising from related party transactions as at 31 December 2008 are disclosed in Note 18 and Note 22.

29. 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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short-term employee benefits	**3,764**	2,712	**416**	481
Post-employment benefits:				
- Defined contribution plan	**405**	181	**–**	–
	4,169	2,893	**416**	481

Included in the total compensation of key management personnel are:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors' remuneration (Note 3ii)	**437**	855	**416**	481

30. 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.

30. 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	4 - 5 years RM'000	Total RM'000
Group								
At 31 December 2008								
Fixed rate								
Amount due from associates	18	**8.00 - 10.00**	**13,699**	–	–	–	–	**13,699**
Amount due to an associate	22	**3.70**	**500**	–	–	–	–	**500**
Floating rate								
Cash and bank balances	19	**0.15 - 4.05**	**42,846**	–	–	–	–	**42,846**
Short-term trade financing	21	**2.25 - 6.00**	**263,010**	–	–	–	–	**263,010**
Bankers' acceptances	21	**3.46 - 4.15**	**114,564**	–	–	–	–	**114,564**
Revolving credits	21	**3.90 - 11.55**	**104,427**	–	–	–	–	**104,427**
Term loans	21	**4.90 - 7.60**	**21,246**	**28,197**	**29,765**	**28,673**	**15,640**	**123,521**
Company								
At 31 December 2008								
Fixed rate								
Amount due from associates	18	**8.00 - 10.00**	**13,699**	–	–	–	–	**13,699**
Amount due from subsidiaries		**3.00**	**45,114**	–	–	–	–	**45,114**
Amount due to an associate	22	**3.70**	**500**	–	–	–	–	**500**
Floating rate								
Amount due from subsidiaries		**8.00**	**100,180**	–	–	–	–	**100,180**
Cash and bank balances	19	**0.15 - 4.05**	**24,732**	–	–	–	–	**24,732**
Short-term trade financing	21	**2.25 - 6.00**	**263,010**	–	–	–	–	**263,010**
Bankers' acceptances	21	**3.46 - 4.15**	**114,564**	–	–	–	–	**114,564**
Revolving credits	21	**3.90 - 4.97**	**89,509**	–	–	–	–	**89,509**
Term loans	21	**4.90 - 6.00**	**8,213**	**9,951**	**6,305**	–	–	**24,469**

30. 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	4 - 5 years RM'000	Total RM'000
Group								
At 31 December 2007								
Fixed rate								
Amount due to an associate	22	3.70	500	–	–	–	–	500
Floating rate								
Cash and bank balances		2.50 - 4.50	51,524	–	–	–	–	51,524
Short-term trade financing	21	4.94 - 5.75	289,239	–	–	–	–	289,239
Bankers' acceptances	21	3.70 - 3.95	33,083	–	–	–	–	33,083
Revolving credits	21	5.47 - 5.78	8,612	–	–	–	–	8,612
Term loan	21	4.90 - 4.94	3,000	3,000	3,000	3,000	–	12,000
Company								
At 31 December 2007								
Fixed rate								
Amount due from subsidiaries		3.00	51,973	–	–	–	–	51,973
Amount due to an associate	22	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	21	4.94 - 5.75	289,239	–	–	–	–	289,239
Bankers' acceptances	21	3.70 - 3.95	33,083	–	–	–	–	33,083
Revolving credits	21	5.47 - 5.78	8,612	–	–	–	–	8,612
Term loan	21	4.90 - 4.94	3,000	3,000	3,000	3,000	–	12,000

30. FINANCIAL INSTRUMENTS (CONT'D)

(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, Indonesian Rupiah, Canadian Dollar and Chinese Reminbi. 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 where appropriate.

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 for business transactions is minimised. The Company also uses forward foreign exchange contracts to hedge its exposure to foreign exchange risk.

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

	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**
Group			
At 31 December 2008			
United States Dollar	**(134,075)**	**–**	**(134,075)**
Indonesian Rupiah	**–**	**11,052**	**11,052**
Singapore Dollar	**–**	**(696)**	**(696)**
Australian Dollar	**275**	**(188)**	**87**
Ringgit Malaysia	**–**	**(28)**	**(28)**
	(133,800)	**10,140**	**(123,660)**
At 31 December 2007			
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)

30. 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	Maturities: 1 Year up to 5 Years RM'000	Total Notional Amount RM'000
At 31 December 2008				
Forwards used to hedge anticipated purchases	Indonesian Rupiah	**19,289**	**3,128**	**22,417**
Forwards used to hedge anticipated purchases	United States Dollar	**2,120**	**–**	**2,120**
Forwards used to hedge anticipated sales	United States Dollar	**13,317**	**–**	**13,317**
		34,726	**3,128**	**37,854**
At 31 December 2007				
Forwards used to hedge anticipated purchases	Indonesian 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 2008, there was unrecognised loss of RM0.7 million (2007: RM0.4 million) on forward contracts used to hedge anticipated sales and unrecognised gain of RM0.06 million (2007: Unrecognised loss of RM0.1 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.

30. FINANCIAL INSTRUMENTS (CONT'D)

(e) Credit risk

The carrying amount of trade and other receivables, amount due from related companies and 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.

(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.

Fuel is purchased at the spot rate available at time of purchase, which exposes the Group to the impact of changes to world prices for crude oil. However, the Group continues to assess the potential financial risk associated with rising crude oil prices and whether the risk requires the use of derivative instruments.

(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 except for the following:

	Group/Company	
	Carrying amount RM'000	**Fair value RM'000**
At 31 December 2008		
Forward foreign exchange contracts (Note 30(c))	–	**(7,609)**
At 31 December 2007		
Forward foreign exchange contracts (Note 30(c))	–	(311)

The following methods and assumptions are used by the management to estimate the fair values of the following classes of financial instruments:

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.

30. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair values (cont'd)

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, related companies 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 not held for long-term are determined by reference to stock exchange quoted market prices at the closing of the business on the balance sheet date.

31. 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.

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
At 31 December 2008						
Revenue						
Sales to external customers		**2,276,367**	**–**	**–**	**–**	**2,276,367**
Inter-segment sales		**83,911**	**387,796**	**–**	**(471,707)**	**–**
Total revenue	3i	**2,360,278**	**387,796**	**–**	**(471,707)**	**2,276,367**

31. 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
Results						
Segment results	3i	46,281	15,406	(24,013)	(27,172)	10,502
Finance costs		(19,949)	(15,259)	(943)	11,369	(24,782)
Share of profit/(loss) of associates		1,108	–	(14,986)	–	(13,878)
Profit/(Loss) before tax		27,440	147	(39,942)	(15,803)	(28,158)
Income tax expense		(3,940)	(11,192)	–	(3,497)	(18,629)
Net profit/(loss) for the year		23,500	(11,045)	(39,942)	(19,300)	(46,787)
Assets						
Segment assets		640,800	446,668	62,326	(270,221)	879,573
Investment in associates		201,134	–	–	(6,634)	194,500
Total assets		841,934	446,668	62,326	(276,855)	1,074,073
Liabilities						
Segment liabilities		594,679	305,847	24,597	(191,306)	733,817
Total liabilities		594,679	305,847	24,597	(191,306)	733,817
Other segment information						
Capital expenditure	9	6,305	15,107	–	–	21,412
Depreciation	9	3,554	9,797	–	–	13,351
Amortisation of prepaid land lease payments	10	62	27	–	–	89
Amortisation of mining rights	12	357	–	–	2,330	2,687
Amortisation and write off of deferred mine exploration and development expenditure	16	661	7,707	–	–	8,368
Other significant non-cash expenses:						
- Provision for mine rehabilitation	20	1,842	4,874	–	–	6,716
- Provision for severance benefits	20	–	4,116	–	–	4,116
- Write down of inventory value		6,490	3,041	–	–	9,531
- Reversal of write down of tin slag inventory no longer required		–	(30,162)	–	–	(30,162)

31. 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
At 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	3i	1,952,331	383,626	–	(422,814)	1,913,143
Results						
Segment results	3i	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
Investment 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	20	–	217	–	–	217
- Provision for severance benefits	20	–	5,442	–	–	5,442
- Write down of tin slag inventory		–	32,060	–	–	32,060

32. SIGNIFICANT EVENTS (CONT'D)

(a) On 12 February 2008, the Company entered into a conditional Subscription Agreement with Beaconsfield Gold NL (BCD), a company listed on the Australian Securities Exchange, to subscribe for 70,000,000 common shares representing approximately 18.9% of the enlarged issued and paid-up share capital of BCD for a total cash consideration of approximately RM57 million (AUD19.6 million). The subscription was completed on 3 March 2008. The Company also subscribed for 20,000,000 new ordinary shares amounting to approximately RM9.10 million in a renounceable rights issue in BCD. The subscriptions were completed on 2 September 2008. The Company's direct shareholding in BCD increased from 18.90% to 22.48%.

(b) The Company subscribed for 6,799,999 common shares of Asian Mineral Resources Limited (AMR) arising from the exercise of the 6,799,999 Warrants at an exercise price of C$2.10 per Warrant for a total cash consideration of approximately RM45.77 million (C$14.3 million). The Subscription was completed on 7 May 2008. The Company's shareholding in AMR increased from approximately 12.8% to approximately 18.2% of AMR's enlarged issued and paid-up share capital.

(c) On 1 July 2008, the Company jointly with its 42.7% - associated company, Australia Oriental Minerals NL ("AOM"), entered into a share sale agreement with Taurus Capital Incorporated for the acquisition of 30% equity interest each in Asiatic Coal Pte Ltd (Asiatic Coal), for a cash consideration of RM22.05 million (USD6.75 million) each. The purchase consideration for the share was based on the valuation of USD15 per tonne for 1.5 million tonnes of coal resources, for the entire existing equity interest in Asiatic Coal. In the event of discovery of measured and indicated coal resources, determined in accordance with the Code for Reporting of Mineral Resources and Ore Reserves of the Australian Joint Ore Reserves Committee, which exceeds 1.5 million tonnes and up to a maximum of 10.0 million tonnes ("Additional Resources"), Asiatic Coal shall issue additional new ordinary shares in Asiatic Coal to Taurus Capital, equivalent to the value of the Additional Resources ("Additional New Shares"). The Company and AOM will each have the option of acquiring up to 30% of the Additional New Shares. On 1 November 2008, the Company subscribed 435,000 new ordinary shares being 30% of the total new ordinary shares issued by Asiatic Coal for a cash consideration of approximately RM1.0 million (USD0.3 million). The Company's shareholdings in Asiatic Coal remains at 30%.

(d) On 17 April 2008, the Company announced that it had entered into a Framework Agreement with Philco Resources Limited, LG International Corp and Korea Resources Corporation pertaining to the Company's proposed investment for a 30% interest in the Rapu Rapu Copper, Gold, Zinc and Silver Project in Philippines, at an estimated cost of approximately RM66.1 million (USD18.9 million). The transaction is expected to be completed by 31 March 2009.

(e) On 8 August 2008, the Company made the following announcements:

i. Proposed bonus issue of 75,000,000 new ordinary shares of RM1.00 each in MSC ("bonus shares") to be credited as fully paid-up on the basis of one (1) bonus share for every one (1) existing ordinary share of RM1.00 each in MSC ("MSC share") held by entitled shareholders on an entitilement date to be determined and announced later;

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

iii. Proposed increase in the authorised share capital of MSC. This was completed on 18 December 2008.

In view of the current uncertain market condition, the Company has decided to extend the timeframe to submit the application to the Securities Commission in relation to the proposed bonus and rights issue.

33. SUBSEQUENT EVENTS

(a) The President Director of PT Koba Tin has been remanded by the local police on 16 February 2009 to assist in the investigation on PT Koba Tin following allegations on violation of Indonesian Forestry Law 1999 Article 50 regarding occupying and operating in a protected forest. This was in relation to PT Koba Tin's Merapin dredge which ceased operation in 2002 and was occupying an area later gazetted as protected forests, though it is within PT Koba Tin's Contract of Work area.

The dredge in question operated on eastern side of PT Koba Tin's Contract of Work (CoW) area in Lubuk Besar, Bangka from 1985 and had ceased operation in October 2002 due to exhaustion of reserves. It had since been kept under care and maintenance basis with the approval of the Directorate General of Energy and Mineral Resources. The Company acquired the 75% shareholding in PT Koba Tin and took over the management from Iluka Resources Limited in 2002.

33. SUBSEQUENT EVENTS (CONT'D)

Further, the Minister of Forestry only issued the declaration on 1 October 2004, regarding designation of forest areas covering about 657,510 hectares in the Province of Bangka Belitung, which included part of the CoW area. By this time, PT Koba Tin's dredge has ceased operations for almost two years.

The case was still ongoing and the incumbent President Director has been named a suspect with prosecution and court hearing to follow. PT Koba Tin is confident that the case will be resolved since the dredge had already ceased operation long before the area was gazetted as protected forest and that the President Director only joined PT Koba Tin in 2007. There have been no disruptions to PT Koba Tin's operations.

(b) Together with its 40% partner, Tenaga Anugerah Sdn. Bhd., the Company has entered into a number of agreements to facilitate the restructuring of its 60% subsidiary, PT Tenaga Anugerah (PT TA). With the signing of these Agreements on 23 February 2009, the ultimate shareholding structure of PT TA held via Diversified Minerals Private Limited, a company incorporated in Singapore is as follows:

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

The main aim of the restructuring is to allow for the participation by the local firm, PT Sarana Marindo (PT SM), who has strong local management and experienced personnel.

For its 30% interest, among others PT SM will inject into PT TA its newly built cutter suction dredge and an offshore drill barge as well as a mining concession located in Tg Penyusuk, Kabupaten Bangka Induk, Indonesia with measured tin resources of 1,115 tonnes.

LIST OF PROPERTIES OF THE GROUP

31 DECEMBER 2008

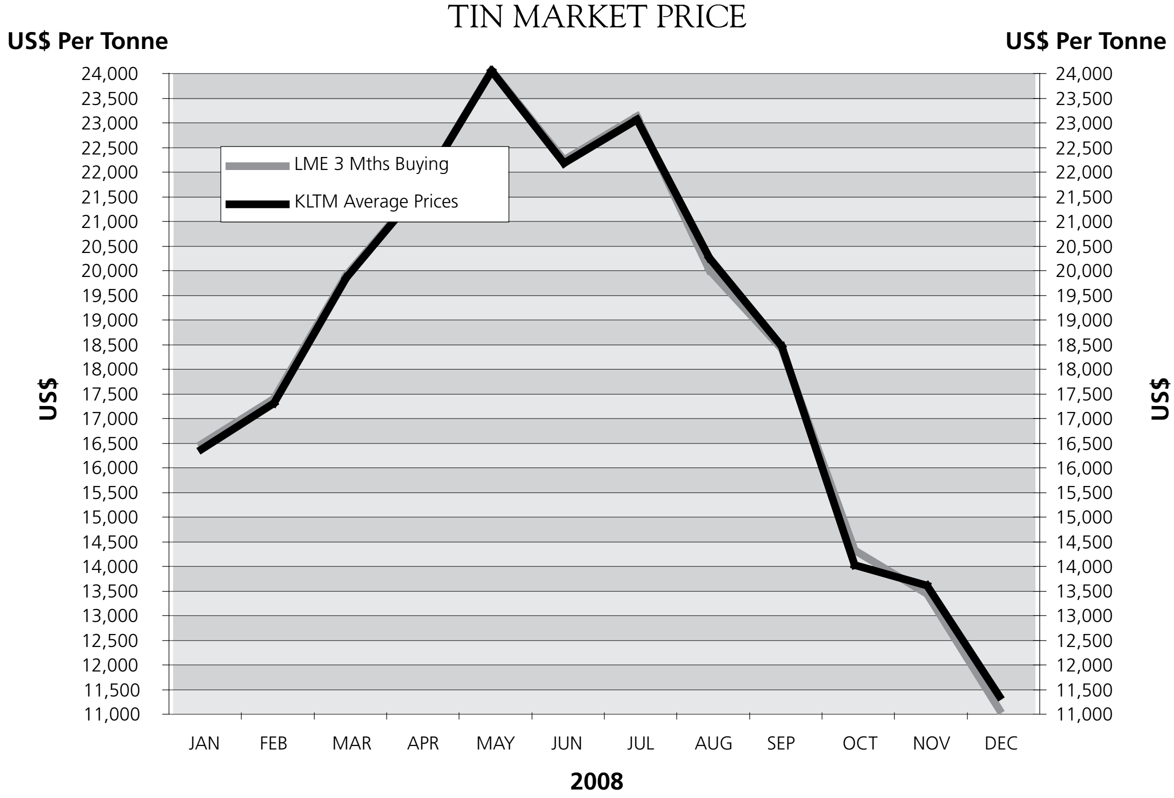
Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31.12.08 RM'000	Date of last revaluation/ acquisition
Malaysia							
1. 27 Jalan Pantai 12000 Butterworth							
a) Lot 142-187 & 362	Land with offices and factory buildings	12.5 acres	Freehold	–	4 - over 50 years	23,915	2008
b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	21 years	577	2008
c) Lot 263	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2066	NA	23	2008
2. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	9 years	1,900	2008
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	–	9 years	2,200	2008
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	8 years	4,000	2008
5. Lot 1203, Mukim 12 Daerah Seberang Perai Tengah	Vacant Land	0.422 acres	Freehold	–	NA	180	2008
6. Mukim Belukar Semang and Mukim Pengkalan Hulu Daerah Hulu Perak							
a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 41 years	163	2008
b) Lot 1886	Vacant Land	0.78 hectares	Freehold	–	–	11	2008
c) Lot 1868, 2071, 2163, 879, 880, PT3375	Land with buildings	10.29 hectares	Leasehold	2007*-2062	27 - over 50 years	208	2008
Indonesia							
7. PT Koba Tin Bangka Island	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	11 - 36 years	2,873	2008
8. PT MSC Indonesia Bangka Island	Land & Buildings	17,094 sq. ft.	Leasehold (Land Rights)	2034	14 - 19 years	950	2008
9. PT MSC Indonesia Bangka Island	Land & Buildings	215,278 sq. ft.	Leasehold (Land Rights)	2019	3 years	1,212	2008

* Application for renewal of lease had been submitted and awaiting for approval.

TIN STATISTICS

	KLTM Prices Highest US$ Per Tonne	KLTM Prices Lowest US$ Per Tonne	KLTM Prices 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	6,600	8,765	13,857	8,713
2007	17,250	10,050	14,523	14,757	14,500
2008	25,400	9,850	18,438	18,077	18,434
2008					
January	16,700	16,100	16,301	1,814	16,408
February	18,550	16,580	17,230	1,591	17,327
March	20,800	18,800	19,773	1,814	19,833
April	24,450	19,999	21,551	2,003	21,557
May	25,400	21,470	23,976	1,865	23,983
June	23,400	21,060	22,100	1,354	22,168
July	23,550	22,300	22,990	1,847	23,047
August	22,150	17,500	20,180	1,660	19,931
September	19,700	17,320	18,385	1,214	18,335
October	17,000	11,200	13,946	1,254	14,246
November	15,000	11,500	13,530	872	13,362
December	12,800	9,850	11,289	789	11,010

TIN MARKET PRICE



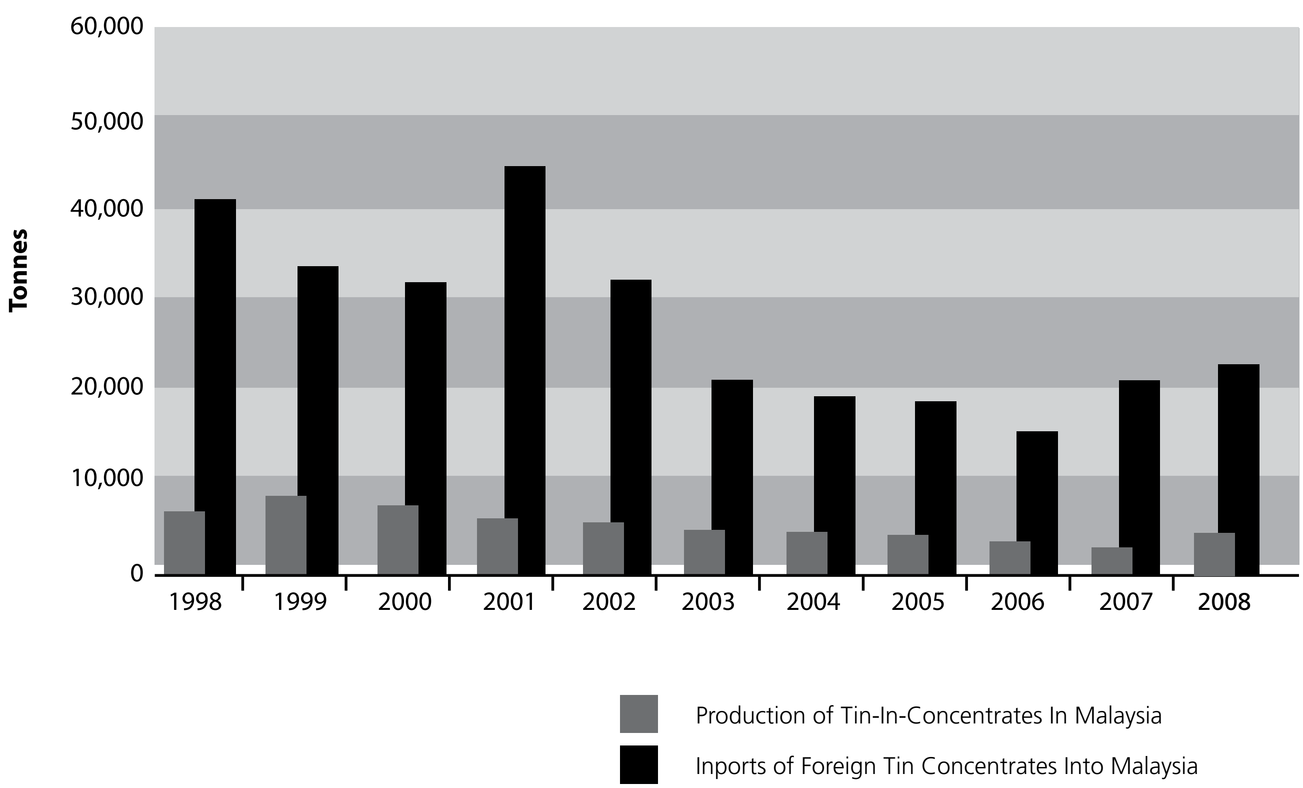
TIN STATISTICS (CONT'D)

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	2,398
2007	2,264
2008	2,765 (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
2008	20,987

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

MALAYSIA PRODUCTION & IMPORT OF TIN CONCENTRATES



Deliveries of Refined Tin From Penang

(Tonnes Refined Tin by reported destination)

Destination	2003	2004	2005	2006	2007	2008
Africa	1,031	1,313	1,257	1,340	957	937
Australia & New Zealand	1,757	1,223	127	249	21	28
China	140	40	40	560	220	317
EEC (incl. UK)	1,165	1,431	2,669	1,623	1,457	1,536
India, Pakistan & Bangladesh	352	825	794	1,141	1,521	1,490
Japan	1,723	3,381	2,063	1,985	2,639	3,780
Middle East	805	705	812	515	532	156
Taiwan	680	1,690	1,524	1,043	1,345	2,351
Korea	4,466	7,560	8,480	5,980	5,776	6,890
Rest of Asia Pacific	11	105	56	–	–	292
Singapore	2,664	9,421	14,645	5,400	4,968	5,811
South America	–	–	–	–	–	–
USA	263	1,235	480	10	–	123
	15,057	**28,929**	**32,947**	**19,846**	**19,436**	**23,711**
Malaysia (for domestic consumption)	3,444	3,815	3,437	4,806	3,334	7,571#
Total	**18,501**	**32,744**	**36,384**	**24,652**	**22,770**	**31,282**

Include tin deliveries to LME warehouses in Pasir Gudang.

LME AND U.S DLA'S STOCKS & DISPOSALS (IN TONNES)			
Period End	**LME Stocks ***	**DLA Stocks #**	
2008			
1st Quarter	9,190	Opening stock at 1.1.08	7,400
2nd Quarter	6,845	Disposals during the year	3,550
3rd Quarter	5,700	Closing stock at 30.11.08***	3,850
4th Quarter	7,990		

Sources: Reuters'
London Metal Exchange
Metal Bulletin
World Bureau of Metal Statistics
Malaysian Tin Bulletin
*** December 2008 not yet available

SHAREHOLDINGS STATISTICS
AS AT 4 MARCH 2008

ANALYSIS BY SIZE OF SHAREHOLDINGS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
less than 100	5	0.32	233	0.00
100 to 1,000	799	50.25	740,767	0.99
1,001 to 10,000	630	39.62	2,434,900	3.24
10,001 to 100,000	123	7.74	4,289,900	5.72
100,001 to less than 5% of issued shares	29	1.82	16,673,400	22.23
5% and above of issued shares	4	0.25	50,860,800	67.82
TOTAL	**1,590**	**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 (TEMPATAN) SDN BHD FOR EMPLOYEES PROVIDENT FUND	2,210,600	2.95
7	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C)	1,706,100	2.27
8	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	1,486,200	1.98
9	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR KUMPULAN WANG SIMPANAN PEKERJA	932,600	1.24
10	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD. AJIB BIN HJ. ANUAR	650,000	0.87
11	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	512,900	0.68
12	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	440,000	0.59
13	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN LIFE ASSURANCE BERHAD	375,000	0.50

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

	NAME	HOLDINGS	%
14	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN GENERAL ASSURANCE BERHAD	371,400	0.50
15	GAN AH KOW	369,800	0.49
16	M.I.T NOMINEES (TEMPATAN) SDN BHD FOR CHEN KHAI VOON	332,800	0.44
17	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	323,100	0.43
18	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN LIFE ASSURANCE BERHAD	310,000	0.41
19	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN LIFE ASSURANCE BERHAD	300,000	0.40
20	REDRING SOLDER (MALAYSIA) SDN BHD	281,100	0.37
21	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	277,300	0.37
22	HDM NOMINEES (ASING) SDN BHD FOR NORMAN KA CHEUNG IP	250,000	0.33
23	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA TAKAFUL BERHAD	249,100	0.33
24	GAN AH KOW	201,100	0.27
25	DOMAIN ADVISORY SDN BHD	200,000	0.27
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	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MD AJIB BIN HJ ANUAR	150,000	0.20
30	MAYBAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBAN INVESTMENT MANAGEMENT SDN BHD	141,000	0.19
	TOTAL	**67,147,900**	**89.52**

LIST OF SUBSTANTIAL SHAREHOLDERS

Name	Direct (No. of Shares)	Percentage %	Deemed Interest (No. of shares)	Percentage %
THE STRAITS TRADING COMPANY LIMITED	28,090,000	37.45	26,751,900	35.67
STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	17,374,500	23.17		
SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	7.20		
THE CAIRNS PRIVATE LIMITED			54,841,900	73.12
TECITY PRIVATE LIMITED			54,841,900	73.12
SIONG LIM PRIVATE LIMITED	1,605,100	2.14	54,841,900	73.12
RAFFLES INVESTMENTS LIMITED			54,841,900	73.12
AEQUITAS PRIVATE LIMITED			54,841,900	73.12
DR TAN KHENG LIAN			54,841,900	73.12

PROXY FORM

MALAYSIA
SMELTING
CORPORATION
BERHAD
(43072-A)

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 Monday, 27 April 2009 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	Re-election of Director - En Razman Ariffin		
3	Re-election of Director - Mr Yeo Eng Kwang		
4	Reappointment of Director - Mr Choi Siew Hong		
5	Approval of Directors' Fees		
6	Reappointment of Auditors		
7	Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

Dated this __________ day of __________ 2009.

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)(b) 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

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annual report 2008

REGISTERED OFFICE

B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II
12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur

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