

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

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

VISION

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



- ▲ Tin
- ▲ Gold
- ▲ Nickel
- ▲ Base Metal

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



RUSSIA

MONGOLIA

Guangzhou

CHINA



of our portfolio

diversification



Bangkok
Hanoi
VIETNAM



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Enclosed



PHILIPPINES
Malaysia
Singapore
INDONESIA
VIETNAM
CHINA

of our portfolio
diversification

CANADA
AUSTRALIA
Sydney
Brisbane
Melbourne
Perth



TASMANIA
Hobart

Rationale:

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

MSC GROUP BUSINESS PROFILE

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

Not one to rest on its laurels, the Group has embarked on a vigorous diversification strategy in 2007 which is intended for the Company to transform itself once again - this time from a single commodity business focused on tin to a well 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 three subsidiaries - 75% owned PT Koba Tin, wholly owned PT MSC Indonesia and 60% owned PT Tenaga Anugerah. PT Koba Tin operates two dredges and gravel-pump mining units in rich alluvial grounds within an area of 41,680 hectares under a contract of work agreement with the Government of Republic of Indonesia. PT Koba Tin has its own smelter with a production capacity of 25,000 tonnes of refined tin a year and produces the premium grade Koba brand (99.9% Sn) which is also widely consumed as a premier brand with superior quality.

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

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

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



MSC GROUP BUSINESS PROFILE (CONT'D)

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

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

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

OTHER METALS AND MINERALS

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

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

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

Nickel

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

Gold

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

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Independent Non-Executive Directors

Mr Norman Ip Ka Cheung (Chairman)
Ms Victoria Ko Miu Ha

Executive Director

Dato' Dr Mohd Ajib Anuar

Senior Independent Non-Executive Director

Mr Choi Siew Hong

Independent Non-Executive Director

En Razman Ariffin

COMPANY SECRETARY

Cik Sharifah Faridah Abdul Rasheed (LS0008899)

MANAGEMENT

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

Mr Lai Fook Hoy
(Group Chief Operating Officer)

Mr Yap Fook Ping
(Group Chief Financial Officer)

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

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

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

REGISTERED, CORPORATE AND MARKETING OFFICE

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

BUTTERWORTH SMELTER

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

PT KOBATA TIN OFFICE

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

PT MSC INDONESIA OFFICE

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

SHARE REGISTRARS

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

AUDITORS

Ernst & Young

BANKERS

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad Main Board

NOTICE OF ANNUAL GENERAL MEETING

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

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

NOTICE OF DIVIDEND ENTITLEMENT

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

- a) Shares transferred into the Depositor's Securities Account before 5.00 pm on 12 May 2008 in respect of transfers; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Sharifah Faridah Abdul Rasheed

Company Secretary

Kuala Lumpur

31 March 2008

Notes:

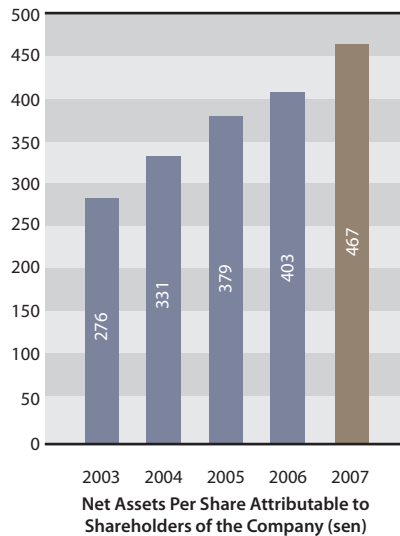
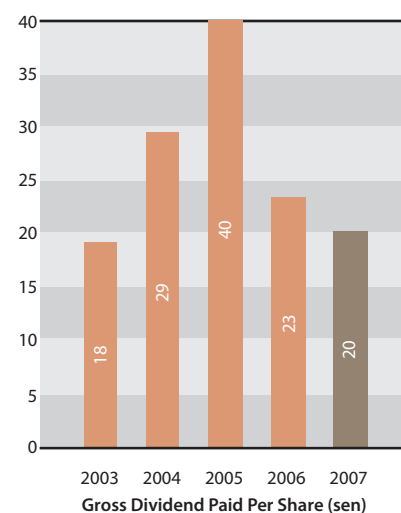
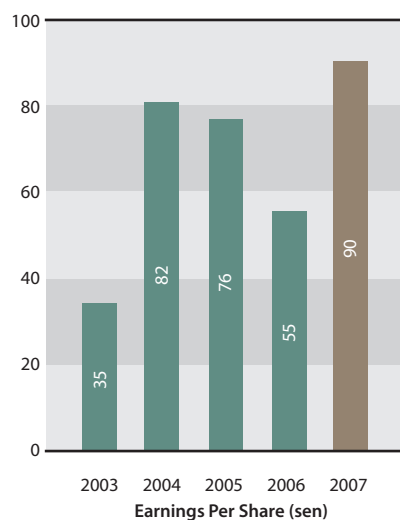
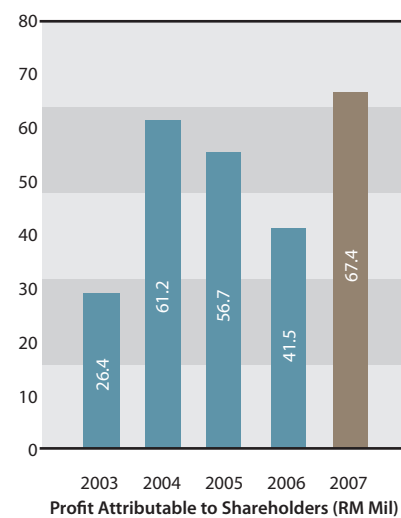
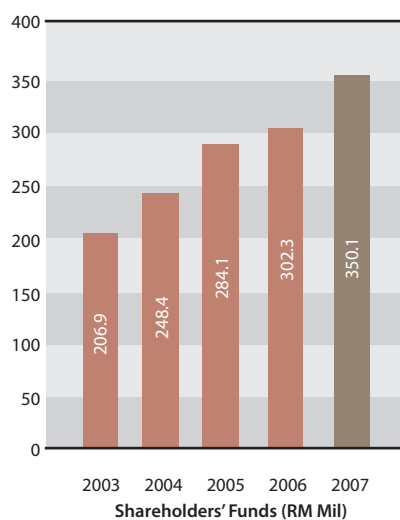
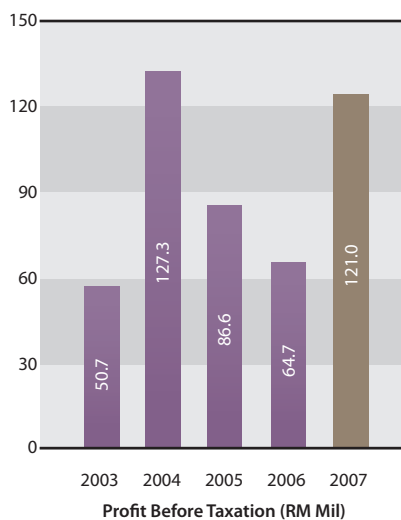
1. A member entitled to attend and vote at the meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of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

GROUP FINANCIAL HIGHLIGHTS

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

* Restated due to implementation of new Financial Reporting Standards in 2006

GROUP FINANCIAL HIGHLIGHTS (CONT'D)



BOARD OF DIRECTORS





BOARD OF DIRECTORS

(From right to left)

MR NORMAN IP KA CHEUNG (*CHAIRMAN*)

MR CHOI SIEW HONG

EN RAZMAN ARIFFIN

MS VICTORIA KO MIU HA

DATO' DR MOHD AJIB ANUAR

BOARD COMMITTEES

AUDIT COMMITTEE

MR CHOI SIEW HONG (*CHAIRMAN*)

MR NORMAN IP KA CHEUNG

EN RAZMAN ARIFFIN

NOMINATING COMMITTEE

MR CHOI SIEW HONG (*CHAIRMAN*)

EN RAZMAN ARIFFIN

MR NORMAN IP KA CHEUNG

REMUNERATION COMMITTEE

MR NORMAN IP KA CHEUNG (*CHAIRMAN*)

MR CHOI SIEW HONG

DATO' DR MOHD AJIB ANUAR

DIRECTORS' PROFILE



MR NORMAN IP KA CHEUNG

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

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

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

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

①



YBHG DATO' DR MOHD AJIB ANUAR

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

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

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

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

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DIRECTORS' PROFILE (CONT'D)

MR CHOI SIEW HONG

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

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

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

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

③

EN RAZMAN ARIFFIN

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

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

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

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

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

④

MS VICTORIA KO MIU HA

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

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

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

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

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STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER



STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

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

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

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

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

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

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

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



STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

RESULTS

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

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

DIVIDENDS

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

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

OPERATIONS

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

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

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

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

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



STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)



DEVELOPMENTS AT PT KOPA TIN AND INDONESIAN TIN OPERATIONS

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

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

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

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



STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

DIVERSIFICATION AND GROWTH STRATEGIES

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

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

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

OUTLOOK

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

CORPORATE GOVERNANCE

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



STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

INTERNAL CONTROL

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

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

ACKNOWLEDGEMENT

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

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



NORMAN IP
Chairman



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

REVIEW OF STRATEGIC INVESTMENTS

TIN

GUILIN HINWEI TIN CO. LTD.

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

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

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

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



REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

NICKEL



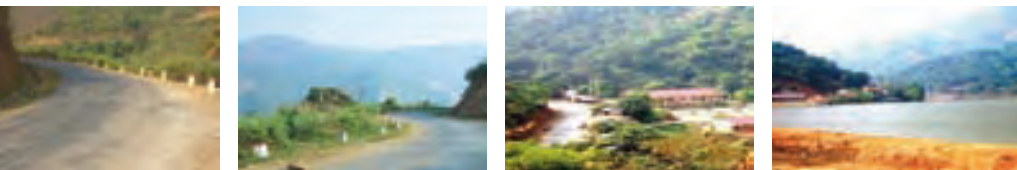
ASIAN MINERAL RESOURCES LIMITED (AMR)

The Investment

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

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

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



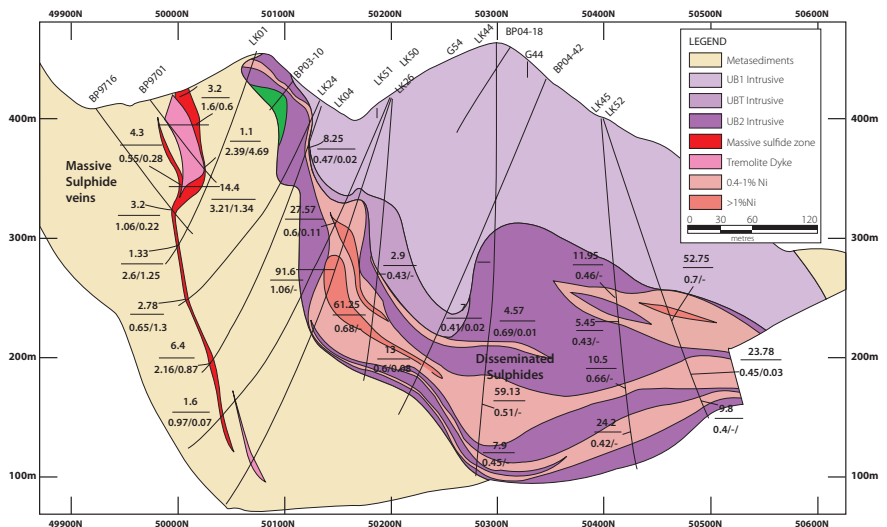
Excellent Project Infrastructure

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

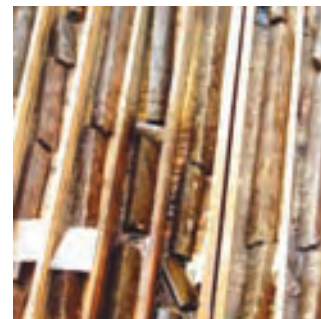
The Ban Phuc Nickel Project

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

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



REVIEW OF STRATEGIC INVESTMENTS (CONT'D)



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

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



Investment Incentives

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

- (i) tax-free status for four (4) years from the first (1st) profit-making year, followed by a 4-year period of 7.5% tax rate, followed by 15% until 2013 and 28% thereafter;
- (ii) Import duty exemption on all new project equipment provided that these machinery and equipment satisfy one (1) of the following criteria:
 - (1) must be imported in the form of the investment capital contributed by the foreign party; or
 - (2) must be used for the capital construction of BPNM; or
 - (3) must be imported in order to produce goods for export out of Vietnam; and
- (iii) government royalty of 3% on recovered metal, 5% tariff on exported nickel and 10% tariff on exported copper and cobalt.

Exploration Areas

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

REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

GOLD

BEACONSFIELD GOLD NL (BCD)

The Investment

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

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

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

Location & Infrastructure

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



REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

History

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

Beaconsfield Mine Joint Venture (BMJV)

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

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

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

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

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

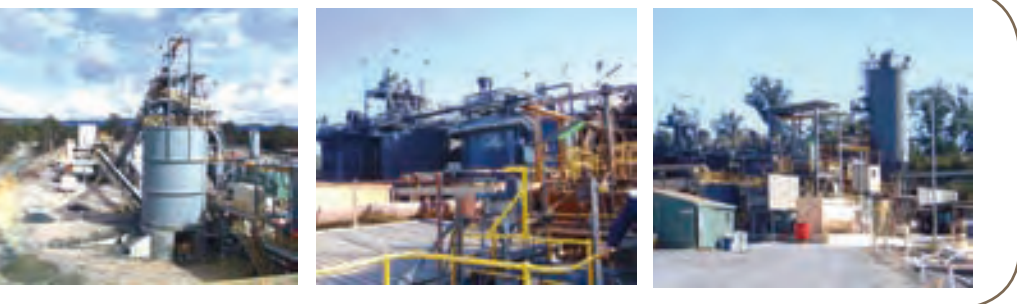
Based on the above ore reserves, BMJV has prepared a model for a 4-year Life of Mine (LOM) based on mining at a rate of 20,000 tonnes per month (tpm) or 240,000 tonnes per annum (tpa) in 2008 and ramping up to 25,000 tpm (300,000 tpa) from 2009.

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

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



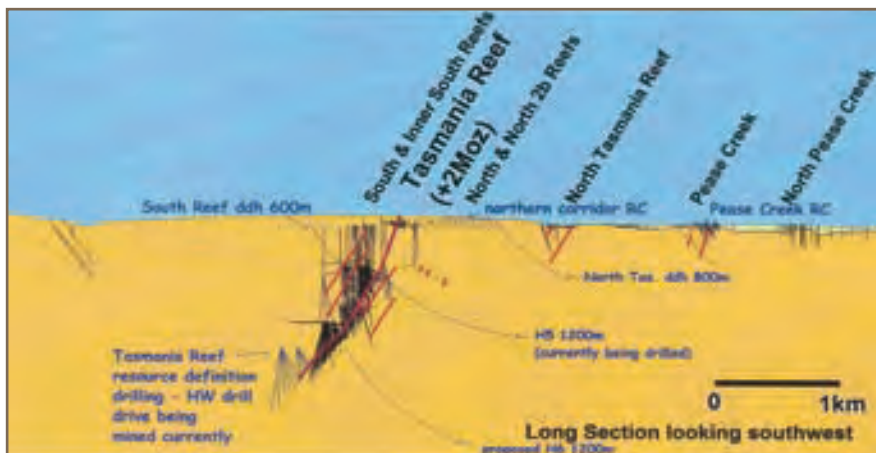
REVIEW OF STRATEGIC INVESTMENTS (CONT'D)



Exploration Tenements near Beaconsfield Mine

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

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



Exploration Targets, Victoria, Australia

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

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

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

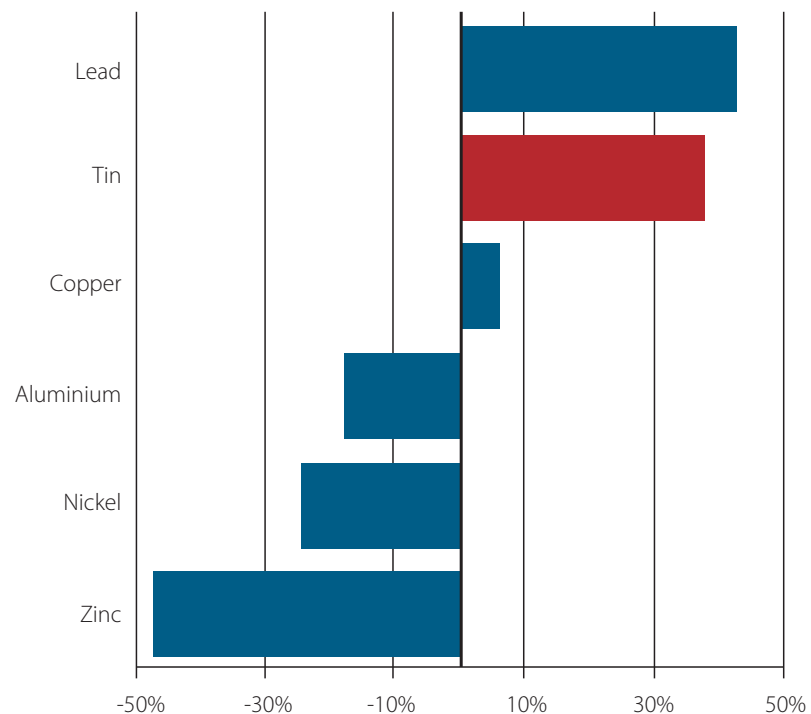
REVIEW OF THE GLOBAL TIN INDUSTRY 2007

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

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

LME PRICE PERFORMANCE IN 2007

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



REVIEW OF THE GLOBAL TIN INDUSTRY 2007 (CONT'D)

DEVELOPMENTS IN 2007

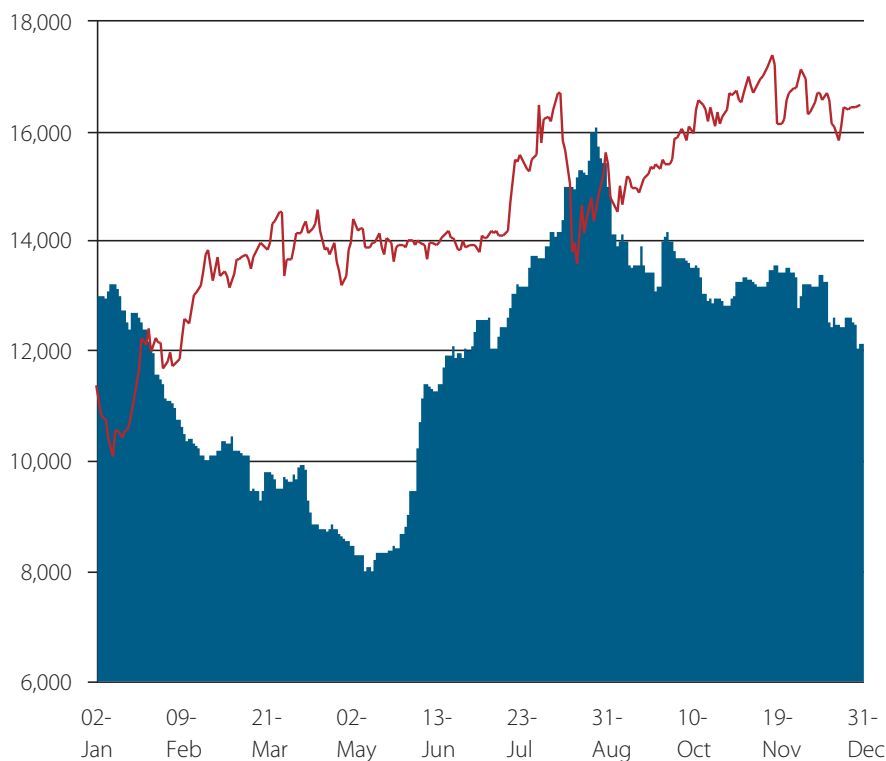
The chart below shows LME stock and price movements in 2007, which can be divided into three distinct phases:

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

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

LME STOCKS AND PRICES, 2007

tonnes, 3-months price in US\$/tonne



REVIEW OF THE GLOBAL TIN INDUSTRY 2007 (CONT'D)

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

Data: ITRI, CRU



REVIEW OF THE GLOBAL TIN INDUSTRY 2007 (CONT'D)

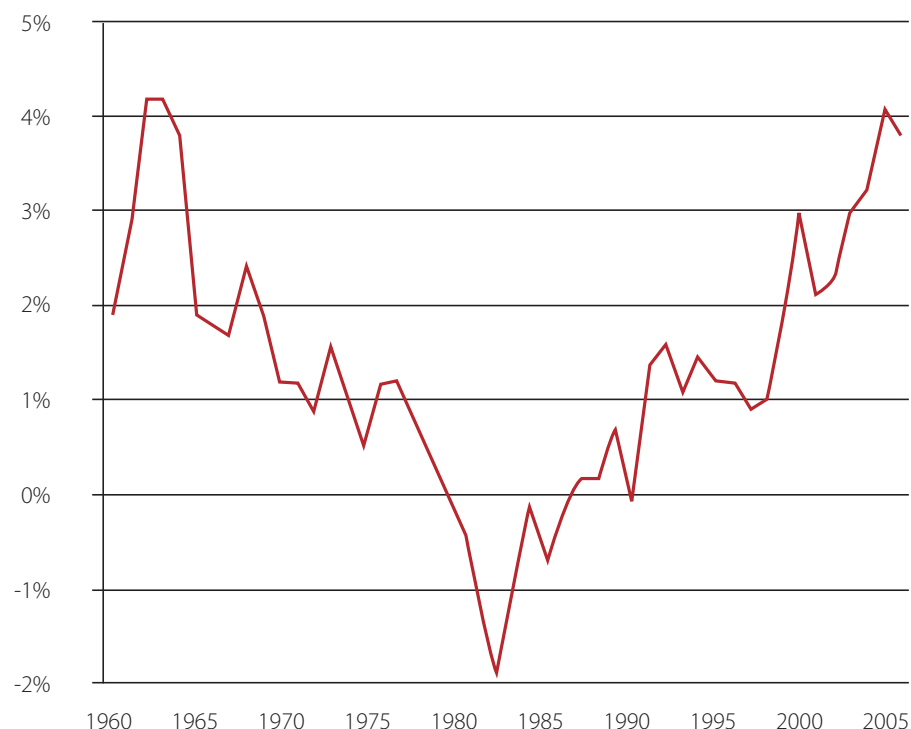
CONSUMPTION GROWTH PAUSES

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

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

THE REVIVAL IN TIN USAGE

10 years moving average world tin consumption growth rates



World consumption of refined tin by end-use, 2006

	Total	Solder	Tinplate	Chemicals	Brass & Bronze	Glass	Others
tonnes							
Asia	224,200	150,500	23,600	18,700	12,700	4,900	13,800
Americas	61,900	17,200	12,900	16,100	2,500	500	12,700
Europe	72,200	19,300	21,100	12,400	4,500	1,000	13,800
Rest of world	3,800	1,300	1,600	0	300	300	500
World	362,100	188,300	59,200	47,200	20,000	6,700	40,800

Product as % of regional total

Asia	100%	67.1%	10.5%	8.3%	5.7%	2.2%	6.2%
Americas	100%	27.8%	20.8%	26.0%	4.0%	0.8%	20.5%
Europe	100%	26.7%	29.2%	17.2%	6.2%	1.4%	19.1%
Rest of world	100%	34.2%	42.1%	0.0%	7.9%	7.9%	13.2%
World	100%	52.0%	16.3%	13.0%	5.5%	1.9%	11.3%

Data: ITRI

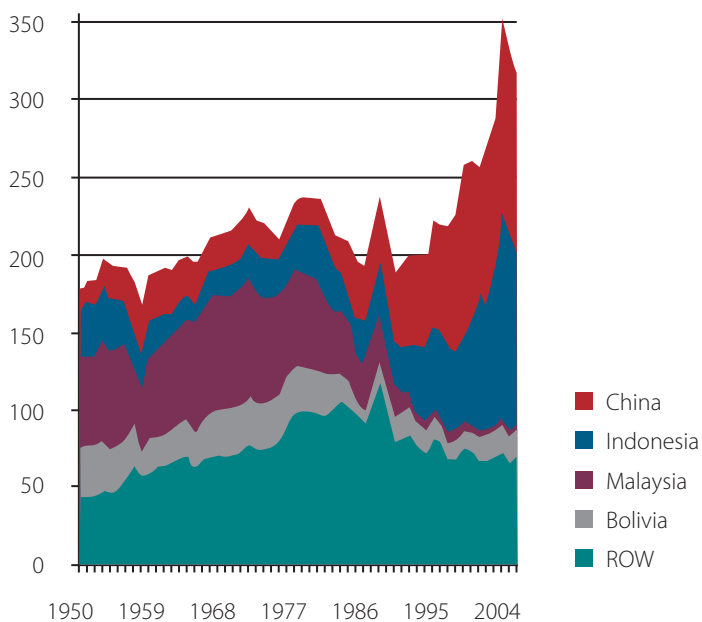
REVIEW OF THE GLOBAL TIN INDUSTRY 2007 (CONT'D)

NEW INVESTMENT IN TIN MINE CAPACITY REQUIRED

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

WORLD MINE PRODUCTION OF TIN

'000 tonnes



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

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

REVIEW OF THE GLOBAL TIN INDUSTRY 2007 (CONT'D)

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

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

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

Data: ITRI, CRU, WBMS



CORPORATE SOCIAL RESPONSIBILITY

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

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

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

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

Human Resources

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

Local Communities

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

Environment

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

Safety and Health

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



CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

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

Human Resources

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



Local Communities

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

Safety and Health

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

Environment

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



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

