

STATEMENT ON CORPORATE GOVERNANCE

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

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

STATEMENT OF PRINCIPLES

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

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

A. BOARD OF DIRECTORS

Board Responsibilities

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

Meetings

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

Board Committees

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

Board Balance

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

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

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

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

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

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

Supply of Information

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

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

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

Appointments to the Board

Nominating Committee

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

Nominating Committee (cont'd)

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

Appointment Process

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

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

Directors' Training

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

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

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

Director		Nature of course
Mr Choi Siew Hong	Chairman, Independent Non-Executive Director	<ul style="list-style-type: none">Improving Board Directors' performance, leadership and governanceBriefing on MASB ED51 - Insurance ContractBNM Governor's Address on the Malaysian Economy & Panel DiscussionHealth InsuranceChanges to the Malaysian Code on Corporate Governance
Mr Norman Ip Ka Cheung	Non-Executive Director	<ul style="list-style-type: none">Improving Board Directors' performance, leadership and governanceCorporate Governance Forum on How to extend the Comfort Zone of DirectorsChanges to the Malaysian Code on Corporate Governance

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

Directors' Training (cont'd)

Director		Nature of course
En Razman Ariffin (appointed on 1 August 2007)	Independent Non-Executive Director	<ul style="list-style-type: none"> Improving Board Directors' performance, leadership and governance SGX Listed Companies' Development Programme Understanding the Regulatory Environment in Singapore Workshop on the Malaysian National Mineral Policy Changes to the Malaysian Code on Corporate Governance

Re-election to the Board

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

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

Board Executive Committee (EXCO)

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

B. DIRECTORS' REMUNERATION

Remuneration Committee

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

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

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

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

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

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

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

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

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

C. SHAREHOLDERS

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

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

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

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

State of Internal Controls

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

Relationship with the Auditors

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

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

STATEMENT OF COMPLIANCE

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

Date: 12 March 2008

AUDIT COMMITTEE

TERMS OF REFERENCE

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

1. Membership

The present members of the Committee comprise:

- Mr Choi Siew Hong, Chairman (Independent Non-Executive Director)
- Mr Norman Ip Ka Cheung (Non-Executive Director)
- En Razman Ariffin (Independent Non-Executive Director)

2. Composition

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

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

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

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

3. Meetings

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

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

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

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

AUDIT COMMITTEE (CONT'D)

4. Authority

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

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

5. Responsibilities and Duties

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

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

AUDIT COMMITTEE REPORT

Membership

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

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

Terms of Reference

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

Meetings

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

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

AUDIT COMMITTEE REPORT (CONT'D)

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

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

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

Group Internal Audit Function

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

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

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

Date: 12 March 2008

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

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

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

Enterprise Risk Management Framework

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

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

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

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

STATEMENT ON INTERNAL CONTROL (CONT'D)

Internal Audit Function

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

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

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

Other Risk and Control Processes

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

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

Weaknesses In Internal Controls That Result In Material Losses

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

Date: 12 March 2008

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REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

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

RESULTS

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

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

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

DIVIDENDS

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

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

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

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

REPORT OF THE DIRECTORS (CONT'D)

SHARE CAPITAL

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

DIRECTORS

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

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

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

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

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

DIRECTORS' BENEFITS

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

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

REPORT OF THE DIRECTORS (CONT'D)

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:

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

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

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- 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
 - 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:
- it necessary to write-off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - the values attributed to current assets in the financial statements of the Group and of the Company misleading.

REPORT OF THE DIRECTORS (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) other than the contingent liabilities as disclosed in Note 29 to the financial statements, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENTS

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

ULTIMATE HOLDING COMPANY

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

AUDITORS

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

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



NORMAN IP KA CHEUNG



DATO' DR MOHD. AJIB ANUAR

STATEMENT BY DIRECTORS

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

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

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



NORMAN IP KA CHEUNG



DATO' DR MOHD. AJIB ANUAR

STATUTORY DECLARATION

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

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

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



YAP FOOK PING

Before me,

Commissioner for Oaths
Penang

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

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

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

ERNST & YOUNG
AF : 0039
Chartered Accountants**LIM FOO CHEW**
1748/01/10 (J)
PartnerPenang, Malaysia
Date: 12 March 2008

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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

BALANCE SHEETS

AS AT 31 DECEMBER 2007

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

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2007

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

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2007

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

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

1. CORPORATE INFORMATION

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

i. Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(c) Intangible Assets (cont'd)

iv. Mine Exploration and Evaluation Expenditure

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

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

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

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

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

v. Mine Development Expenditure

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

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

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

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

(d) Mine Environmental Expenditure

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(f) Impairment of Non-financial Assets

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

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

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

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

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

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

(g) Base Inventory

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(h) Inventories

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

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

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

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

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

(i) Financial Instruments

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

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

i. Cash and Cash Equivalents

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

ii. Other Non-current Investments

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

iii. Trade and Other Receivables

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

iv. Trade and Other Payables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(i) Financial Instruments (cont'd)

v. Interest Bearing Loans and Borrowings

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

vi. Equity Instruments

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

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

vii. Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(j) Leases

i. Classification

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

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

ii. Operating Leases - the Group as Lessee

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

(k) Borrowing Costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(l) Income Tax

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

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

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

(m) Provisions

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

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

(n) Employee Benefits

i. Short-Term Benefits

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

ii. Defined Contribution Plans

Defined 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(o) Foreign Currencies (cont'd)

iii. Foreign Operations

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

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

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

(p) Revenue Recognition

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

i. Sale of Goods

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

ii. Interest Income

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

iii. Dividend Income

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

iv. Tin Warrant and other service charges

Revenue is recognised upon performance of services.

v. Warehouse Rent

Revenue is recognised on an accrual basis.

(q) Non-Current Assets Held for Sale

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

i. Amendment to FRS 119₂₀₀₄: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the Amendment to FRS 119₂₀₀₄ gives rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company.

2.4 Standards and Interpretations Issued but Not Yet Effective

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

(i) **Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation**

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

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

2.5 Significant Accounting Estimates and Judgments

Key Sources of Estimation Uncertainty

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

i. **Depreciation of Plant and Machinery**

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

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

ii **Amortisation and Impairment of Mining Rights, Mine Development Expenditure, Mine Exploration and Evaluation Expenditure**

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

3. PROFIT FROM OPERATIONS

i. Profit from operations is calculated as follows:

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

ii. Profit from operations is stated:

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

3. PROFIT FROM OPERATIONS (CONT'D)

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

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

4. FINANCE COSTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

5. EMPLOYEE BENEFITS EXPENSE

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

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

6. INCOME TAX EXPENSE

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

6. INCOME TAX EXPENSE (CONT'D)

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

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

7. BASIC EARNINGS PER SHARE

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

8. DIVIDENDS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

9. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

10. PREPAID LAND LEASE PAYMENTS

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

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

11. BASE INVENTORY

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

12. INTANGIBLE ASSETS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

13. INVESTMENT IN SUBSIDIARIES

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

Details of the subsidiaries are as follows:

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

* Audited by Ernst & Young, Malaysia

** Audited by member firm of Ernst & Young Global in the respective countries

*** Audited by firms of auditors other than Ernst & Young

Indirect interest

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Analysis of the acquisition of a subsidiary

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

14. INVESTMENT IN ASSOCIATES

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

Details of the associates are as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

14. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates are as follows:

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

15. OTHER INVESTMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

16. OTHER ASSETS

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

(a) Deferred expenditure

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

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

(b) Insurance scheme

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

17. INVENTORIES

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

18. TRADE AND OTHER RECEIVABLES

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Credit Risk

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

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

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

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

(b) Amounts due from Subsidiaries

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

(c) Amount due from Associates

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

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

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

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

19. CASH, BANK BALANCES AND DEPOSITS

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

20. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

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

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

21. PROVISIONS FOR LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

21. PROVISIONS FOR LIABILITIES (CONT'D)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

21. PROVISIONS FOR LIABILITIES (CONT'D)

(a) Severance benefits

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

21. PROVISIONS FOR LIABILITIES (CONT'D)

(a) Severance benefits (cont'd)

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

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

Principal actuarial assumptions used:

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

(b) Mine rehabilitation

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

22. BORROWINGS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

23. TRADE AND OTHER PAYABLES

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

(a) Trade Payables

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

(b) Amounts due to Subsidiaries

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

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

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

(c) Amount due to an Associate

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

24. SHARE CAPITAL

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

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

25. OTHER RESERVES (NON-DISTRIBUTABLE)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

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

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

(a) Revaluation Reserve

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

(b) Foreign Currency Translation Reserve

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

(c) Capital Reserve

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

26. RETAINED EARNINGS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

27. DEFERRED TAX

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

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

Deferred tax liabilities of the Group

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

Deferred tax assets of the Group

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

27. DEFERRED TAX (CONT'D)

Deferred tax liabilities of the Company

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

Deferred tax assets of the Company

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

27. DEFERRED TAX (CONT'D)

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

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

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

28. CAPITAL COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

29. CONTINGENT LIABILITIES (UNSECURED)

Group

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

- (a) A claim from a party against the Company and 3 others, seeking a declaration that the award for the sale of 100% issued shares of Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to an open tender process, be declared null and void. The party also filed an injunction to restrain the Administrator of RHT from proceeding with the sale. Both the claim and the injunction were dismissed by the High Court with costs. The party has filed an appeal and no date has been fixed for hearing.
- (b) At the time of takeover of RHT on 22 November 2004, the following legal suits were pending against RHT:
 - i. A Summon in Chambers (ex-parte) was served on RHT and 3 others by the Plaintiff whose proposal to acquire the mining lease and related assets of RHT was rejected in April 2002. The Plaintiff's application for Judicial Review was dismissed with costs but an appeal has been filed against the decision, however, the appeal has yet to be heard.
 - ii. A claim by 11 ex-workers for notice pay and retrenchment benefits totalling RM125,723 against RHT has been dismissed by the Industrial Court on 26 September 2005. The claimants have filed an appeal at the High Court. The appeal has been dismissed with costs by the High Court on 18 July 2007.
 - iii. Two former directors of RHT have made a claim for compensation amounting to approximately RM2.4 million pursuant to service agreements entered on 31 March 2000 between them and RHT. One of the directors has commenced proceedings in the Industrial Court for wrongful dismissal as the managing director of RHT, seeking reinstatement. The claim has been dismissed by the Industrial Court. The said director has appealed against the decision and the matter is fixed for mention on 17 April 2008, pending the filing of Affidavit in Reply to the Appellant.

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

- (c) A statement of claim by a third party (Plaintiff) for RM45 million or such amount as the Court deemed fit, plus interest of 8% on judgement sum that remains unpaid, cost of litigation and any other relief that the Court deems appropriate for an alleged breach of the Subscription Agreement entered into by the Company. The Plaintiff alleged that it has suffered a loss as the Company wilfully interfere and prevent the issuance of the renewal of mining lease by the relevant authorities to the Plaintiff. The Company maintains that the breach was committed by the Plaintiff, entitling it to terminate the agreement. The Company had filed its statement of defence. The Company's solicitors have filed an application to strike out the Plaintiff's claim as the Plaintiff has failed to file any cause papers since 2005 to proceed with the case.
- (d) On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company maintains that the allegation is baseless and has accordingly filed its statement of defence. The case has been fixed for case management on 29 April 2008.
- (e) During the year, one of its subsidiaries in Indonesia received various assessments for taxes and penalties for fiscal year 2005 from the Tax Office indicating a total net underpayment amounting to RM50,264,000 (USD15,174,000). The subsidiary has filed objections to the Tax Office on 21 March 2007 and paid a portion of the net assessed underpayment in the amount of RM10,980,000 (USD3,315,000).

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

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

Group (cont'd)

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

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

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

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

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

Company

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

- (a) Bank guarantees:
- i. RM1.6 million given by the Company to the Perak State Authorities on behalf of a subsidiary; and
 - ii. RM28.2 million (USD8.5 million) given by the Company to Indonesian Authorities on behalf of a subsidiary;
- (b) A claim from a third party against the Company and 3 others, seeking a declaration that the award for the sale of 100% issued shares of Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to an open tender process be declared null and void. The party also filed an injunction to restrain the Administrator of RHT from proceeding with the sale. Both the claim and the injunction were dismissed by the High Court with costs. The party has filed an appeal and no date has been fixed for hearing.
- (c) A statement of claim by a third party (Plaintiff) for RM45 million or such amount as the Court deemed fit, plus interest of 8% on judgement sum that remains unpaid, cost of litigation and any other relief that the Court deems appropriate for an alleged breach of the Subscription Agreement entered into by the Company. The Plaintiff alleged that it has suffered a loss as the Company wilfully interfere and prevent the issuance of the renewal of mining lease by the relevant authorities to the Plaintiff. The Company maintains that the breach was committed by the Plaintiff, entitling it to terminate the agreement. The Company had filed its statement of defence. The Company's solicitors have filed an application to strike out the plaintiff's claim as the plaintiff has failed to file any cause papers since 2005 to proceed with the case.
- (d) On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company maintains that the allegation is baseless and has accordingly filed its statement of defence. The case has been fixed for case management on 29 April 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

30. RELATED PARTY DISCLOSURES

(a) Related Party Transactions

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

	2007 RM'000	2006 RM'000
Group		
Related company*:		
- Management fee paid	5,158	2,528
Associate:		
- Sales of products	40,996	30,473
	<hr/>	
Company		
Subsidiaries:		
- Purchase of products	420,809	669,081
- Interest income	17,340	24,296
- Management fee received	387	1,309
- Advances	20,717	4,464
- Rental paid	1,796	1,796
Associate:		
- Sales of products	40,996	30,473
Related company*		
- Management fee paid	3,423	2,456
	<hr/>	

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

30. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of Key Management Personnel

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

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

Included in the total compensation of key management personnel are:

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

31. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

(b) Interest Rate Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

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

(c) Foreign Exchange Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk (cont'd)

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

Group

At 31 December 2007

Net Financial Assets/(Liabilities) Held in Non-Functional Currencies

	Ringgit Malaysia RM'000	United States Dollar RM'000	Total RM'000
Functional currencies of Group Companies			
United States Dollar	(172,645)	–	(172,645)
Indonesian Rupiah	–	(11,289)	(11,289)
Singapore Dollar	–	17	17
Australian Dollar	1,888	20	1,908
Ringgit Malaysia	–	(12)	(12)
	(170,757)	(11,264)	(182,021)

At 31 December 2006

Functional currencies of Group Companies

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk (cont'd)

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

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

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

(d) Liquidity Risk

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

(e) Credit Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

31. FINANCIAL INSTRUMENTS (CONT'D)

(f) Commodity Price Risk

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

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

(g) Fair Values

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

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

i. Cash, Bank Balances, Deposits, Other Receivables and Other Payables

The carrying amounts of cash, bank balances, deposits, other receivables and other payables approximate fair value due to their short-term nature.

ii. Trade Receivables, Trade Payables and Bank Borrowings

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

iii. Amounts due from/to Subsidiaries and Associates

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

iv. Forward foreign exchange contracts

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

v. Quoted investments

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

32. SEGMENTAL INFORMATION

(a) Reporting Format

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

(b) Allocation basis and transfer pricing

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

32. SEGMENTAL INFORMATION (CONT'D)

Geographical Segments

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

32. SEGMENTAL INFORMATION (CONT'D)

Geographical Segments (cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

33. SIGNIFICANT EVENTS

The following were significant events during the financial year:

- (a) On 5 March 2007, a subsidiary company entered into a Share Purchase Agreement with four parties to acquire their 120,000 shares of USD1 each representing 60% of the paid up capital of PT Tenaga Anugerah, a company incorporated in Indonesia, for a cash consideration of RM411,000 (USD120,000). On 28 December 2007, PT Tenaga Anugerah entered into a Mining Cooperation Agreement with PT Sarana Marino (PT SM) to explore and mine tin reserves in several offshore mining concessions held by PT SM. The capital investment required to implement the offshore mining venture is estimated at RM18.2 million (USD5.5 million) including an upfront payment of RM15.6 million (USD4.7 million) to PT SM as consideration for the acquisition of the mining rights. Based on 60% shareholding, MSC's contribution towards the capital investment will be RM10.8 million (USD3.3 million).
- (b) On 16 August 2007, the Company entered into a Heads of Agreement (HOA) with Metal Resources Capital Limited (MERC) in relation to the intention of the Company and MERC to collaborate in the development of tin and other mineral resources in Indonesia.
- (c) On 18 September 2007, the Company entered into an Underwriting Agreement with its associate, Australia Oriental Minerals NL (AOM) relating to its renounceable rights issue exercise. Upon completion of the exercise in October 2007, the Company had subscribed a total of 226,863,490 new shares amounting to approximately RM5.5 million (AUD 1.8 million) and the Company's direct shareholding in AOM has increased from 39.45% to 49.11%.
- (d) On 28 October 2007, the Company entered into a Joint Venture Contract with Guangxi Guilin Jinwei Realty Co Ltd and Vertex Metals Incorporation to establish a joint venture company named Guilin Hinwei Tin Co. Ltd, for the smelting and refining of tin, and the production and sale of tin and tin-based products in the People's Republic of China. The proposed joint venture is expected to be completed in the first quarter of 2008.
- (e) On 21 December 2007, the Company entered into a Subscription Agreement, a Share Issuance Agreement and a Nomination Agreement with Asian Mineral Resources Limited (AMRL), a public company listed on TSX Venture Exchange, Canada. The Company has subscribed for 11,428,571 purchased units at a subscription price of C\$1.75 per unit comprising 11,428,571 common shares in AMRL, with 6,799,999 detachable warrants in AMRL, representing 12.8% of the enlarged issued and paid-up share capital of AMRL, for a total cash consideration of approximately RM67.0 million (C\$20.0 million) pursuant to a non-brokered private placement by AMRL which was completed on 21 December 2007 (Toronto time). Each purchased unit consists of one (1) common share and 0.595 warrant whereby each warrant entitles the holder to acquire one (1) fully paid and non-assessable common share at an exercise price of C\$2.10.
- (f) On 1 August 2007, the three executive directors of PT Koba Tin, who were charged with the collection of tin ore from small scale miners operating outside its Contract of Work area arising from an investigation by a special Indonesian National Police task force on 23 January 2007 were fully acquitted of all criminal charges. Subsequently, PT Koba was granted approval to resume small scale mining operations within its Contract of Work under a new sub-contracting arrangement.

34. SUBSEQUENT EVENTS

- (a) On 29 January 2008, the Company announced that the local police force in Bangka, Indonesia had asked PT Koba Tin to stop receiving tin ore from its sub-contractors and to cease production of tin ingots. This was to facilitate the police to carry out investigations following allegations that two of PT Koba Tin's appointed sub-contractors had been mining in a forest area within PT Koba Tin's Contract of Work area where mining is prohibited. PT Koba Tin's internal control measures and investigations have, however, confirmed that all production from its appointed sub-contractors have been derived from mining activities carried out within the Contract of Work and outside the forest area.
- (b) On 12 February 2008, the Company had entered into a conditional Subscription Agreement with Beaconsfield Gold NL (BCD), a company listed on the Australian Stock Exchange, to subscribe for 70,000,000 common shares representing approximately 19% of the enlarged issued and paid-up share capital of BCD for a total cash consideration of approximately RM57 million (AUD 19.6 million). The subscription was completed on 3 March 2008.
- (c) On 12 March 2008, the Company announced that it is proposing to subscribe for 6,799,999 Common Shares of Asian Mineral Resources Limited arising from the exercise of the 6,799,999 Warrants, hereby shall be exercisable at any time and from time to time at or prior to 30 April 2008 at an exercise price of C\$2.10 per warrant for a total cash consideration of approximately RM45.77 million (C\$14.3 million).
- (d) Further to the announcement of the Company to Bursa Malaysia Securities Berhad on 7 January 2008, The Cairns Private Limited, a company incorporated in Singapore became the ultimate holding company of the Company when its voluntary conditional cash offer for The Straits Trading Company Limited turned unconditional on 4 March 2008. The closing date of the cash offer has been extended to 5.30pm on 3 April 2008. The Straits Trading Company Limited remains as the immediate holding company.

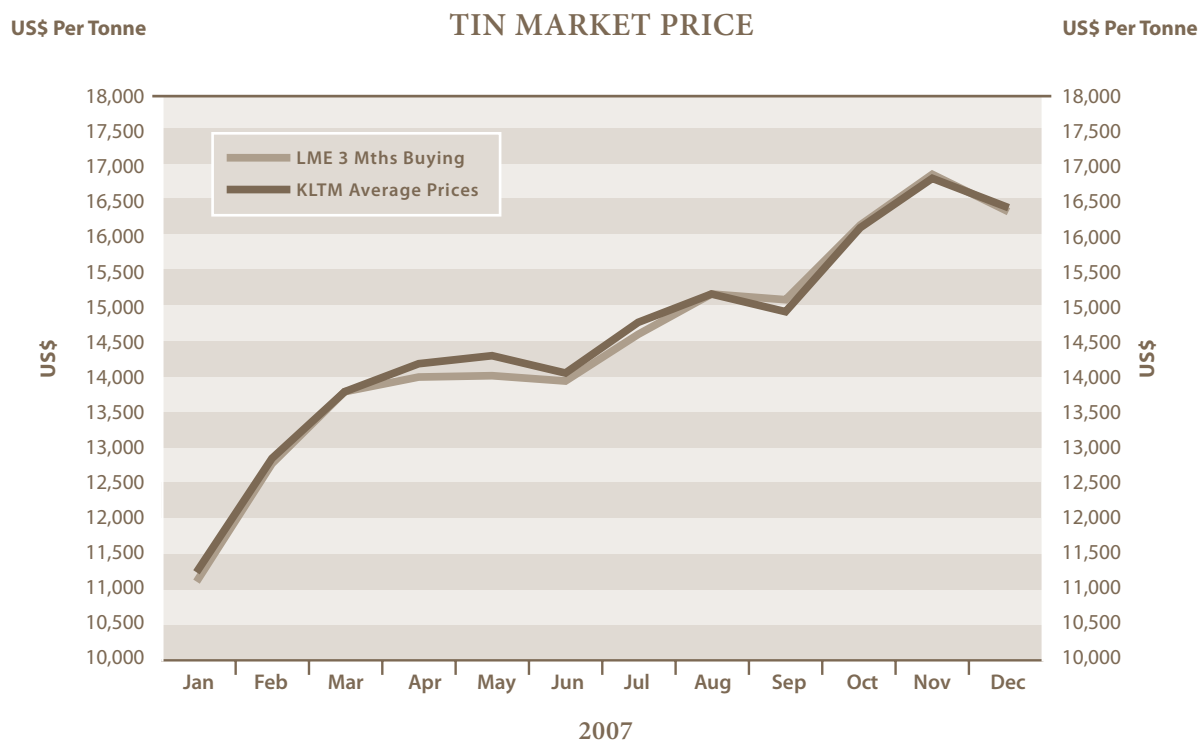
LIST OF PROPERTIES OF THE GROUP

31 DECEMBER 2007

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

TIN STATISTICS

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



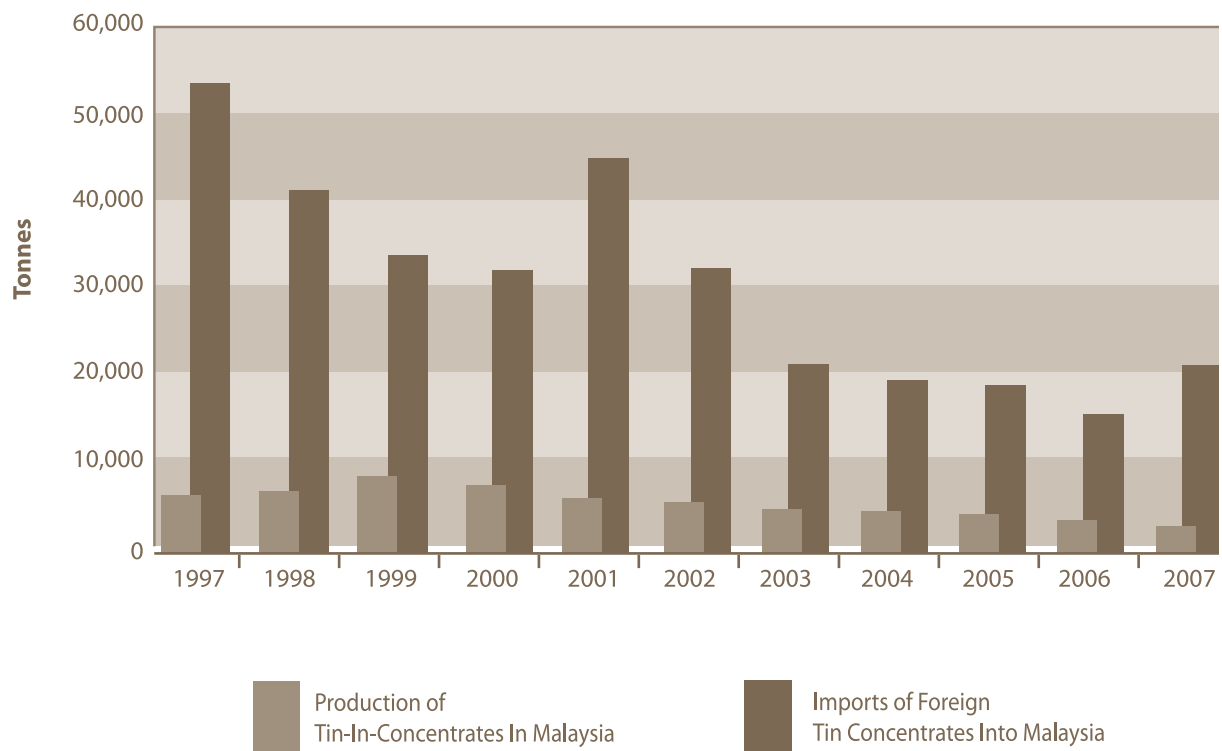
TIN STATISTICS (CONT'D)

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	2,634
2007	2,300 (estimate)

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

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

MALAYSIA PRODUCTION AND IMPORT OF TIN CONCENTRATES



TIN STATISTICS (CONT'D)

Deliveries of Refined Tin From Penang

(Tonnes Refined Tin by reported destination)

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

Domestic consumption & deliveries to LME warehouses

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

Sources: * Metal Bulletin

US Geological Survey - uncommitted stock

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2008

ANALYSIS BY SIZE OF SHAREHOLDERS

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

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

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

SHAREHOLDINGS STATISTICS (CONT'D)

AS AT 12 MARCH 2008

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

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

SHAREHOLDINGS STATISTICS (CONT'D)

AS AT 12 MARCH 2008

LIST OF SUBSTANTIAL SHAREHOLDERS

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

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

PROXY FORM

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)

(Incorporated in Malaysia)

I/We _____ (full name in block letters)
of _____ (address)
being a member/members of **MALAYSIA SMELTING CORPORATION BERHAD** hereby appoint

NAME	ADDRESS	NRIC/ PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS %

And/or (delete as appropriate)

NAME	ADDRESS	NRIC/ PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS %

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

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

Dated this _____ day of _____ 2008

Total Number
of shares

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

IMPORTANT : PLEASE READ NOTES BELOW

Notes :

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

Fold along this line

*Affix
Postage
Here*

To:

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

Fold along this line



REGISTERED OFFICE

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