

NOTES TO THE 2nd INTERIM FINANCIAL REPORT – 30 JUNE 2008

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following FRSs, Amendment to FRS and Interpretations effective for the financial period beginning 1 January 2008:

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

The adoption of the above FRSs, Amendment to FRS and Interpretations have no significant impact on the financial statements of the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement has been deferred and has not been adopted by the Group.

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

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

4. **Seasonal or Cyclical Factors**

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

5. **Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cashflow because of their nature, size or incidence in the 2nd quarter 2008.

6. **Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter.

7. **Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

8. **Dividend Paid**

The amount of dividend paid or declared during the financial period ended 30 June 2008 were as follows:

	Net Amount Jan/Jan 2008 RM'000	Net Dividend Per Share Jan/Jan 2008 Sen
2007, final 10 sen tax exempt and 10 sen less 26% tax per share paid on 28.05.2008	13,050	17.4

9. **Segmental Reporting**

The Company and its principal subsidiaries operate principally within one industry. The segmental reporting by geographical locations for the current financial year-to-date was as follows :-

Geographical Location	Total Assets Employed RM'000	Revenue RM'000	Pre-Tax Profit RM'000
Malaysia	896,277	1,210,966	30,665
Indonesia	411,055	150,218	8,417
Others	62,327	-	(5,525)
	1,369,659	1,361,184	33,556
Consolidation adjustments related to intra group transactions	(208,979)	(192,817)	-
	1,160,680	1,168,367	33,556

10. **Property, Plant and Equipment**

The valuation of land and buildings have been brought forward without amendment from the previous audited annual financial statements for the year ended 31 December 2007.

11. **Events Subsequent to Balance Sheet Date**

There were no material events subsequent to balance sheet date up to 2 August 2008, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report except for the following:

- a. On 29 January 2008, PT Koba Tin received a notice from the Head of local police in the District of Bangka Tengah that it was investigating allegations that two of PT Koba Tin's appointed sub-contractors had been mining in a forest area within PT Koba Tin's Contract of Work ("COW") area where mining is prohibited and that PT Koba Tin had to stop receiving tin ore from all its sub-contractors as well as to cease production of tin ingots from its smelting operations. PT Koba Tin subsequently advised that its internal control measures and investigation have confirmed that all production from its appointed sub-contractors had been derived from mining activities carried out within its COW and outside the forest area. On 14 March 2008, the Head of local police granted approval for the smelting plant to resume operations.

However, the sub-contractors' small-scale production continued to be suspended throughout the second quarter of the current year. The management of PT Koba Tin is currently in the final stage of procuring the necessary approvals from the relevant authorities and they expect to resume small-scale mining before the end of August 2008.

- b. On 1 July 2008, the Company, jointly with its 42.7%-associated company, Australia Oriental Minerals NL (“AOM”), a company listed on the Australian Stock Exchange, have entered into a share sale agreement with Taurus Capital Incorporated for the proposed acquisition of 30% interest in Asiatic Coal by MSC and AOM respectively, totalling to 60% of the equity interest in Asiatic Coal for a cash consideration of USD6.75 million each (or approximately RM22.05 million based on the exchange rate of USD1.000=RM3.2665 as at 30 June 2008).

12. Changes in the Composition of the Group

Save as disclosed in Note 18, there was no change in the composition of the Group for the 2nd quarter 2008 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

13. Changes in Contingent Liabilities and Contingent Assets

At 2 August 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, there were no material changes in contingent liabilities or contingent assets since 31 December 2007.

14. Capital Commitments

The amount of capital commitments at 30 June 2008 was as follows :

	30.06.2008 RM'000
Approved but not contracted	21,952
Contracted but not provided for	1,697
	23,649

15. Related Party Transactions

The following are significant related party transactions :

	6 months ended 30.06.2008 RM'000
Management fee paid/ payable to related companies	3,780
Sales of products to an associate	25,077

The above transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

16. **Taxation**

Taxation comprises the following :

	6 months ended 30.06.2008 RM'000
Current taxation	
Malaysian income tax	9,075
Foreign tax	4,135
Deferred tax	233
Total	13,443

The overall effective tax rate for the current year was higher than the statutory tax rate in Malaysia mainly due to certain expenses not being tax deductible and losses incurred by certain foreign subsidiaries not being available for tax relief against the Group profit.

17. **Profit on Sale of Unquoted Investment and/or Property**

There was no profit on sale of unquoted investment and/or property for the 2nd quarter 2008.

18. **Purchase and Sale of Quoted Securities**

Save as disclosed below, there was no purchase or sale of quoted securities in the 2nd quarter 2008.

- a. The Company has subscribed for 6,799,999 Common Shares of Asian Mineral Resources Limited (AMRL) arising from the exercise of the 6,799,999 Warrants at an exercise price of C\$2.10 per Warrant for a total cash consideration of approximately RM45.77 million (C\$14.3 million). The Subscription was completed on 7 May 2008. The Company's shareholding in AMRL increased from approximately 12.8% to approximately 18.96% of AMRL's enlarged issued and paid-up share capital.

19. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 2 August 2008, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, except for the following:-

- a. On 29 October 2007, the Company announced that it had entered into a Joint Venture Contract with Guangxi Guilin Jinwei Realty Co Ltd and Vertex Metals Incorporation to establish a new joint venture company named Guilin Hinwei Tin Co. Ltd, for smelting and refining of tin, and the production and sale of tin and tin-based products in the People's Republic of China. The transaction is expected to be completed in the quarter ending 30 September 2008.
- b. On 17 April 2008, the Company announced that it had entered into a Framework Agreement with Philco Resources Limited, LG International Corp and Korea Resources Corporation pertaining to the Company's proposed investment for a 30% interest in the Rapu Rapu Copper, Gold, Zinc and Silver Project in Philippines, at an estimated cost of approximately USD18.9 million. The transaction is expected to be completed in the quarter ending 30 September 2008.

20. Group Borrowings and Debts Securities

Group borrowings as at 30 June 2008 comprise the following :

	30.06.2008
	RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	343,811
Revolving credits	101,928
Bankers' acceptances	56,668
	502,407
Current portion of term loans	16,430
	518,837

	30.06.2008
	RM'000
b) Long Term Borrowing (unsecured)	
Term Loans	109,921

	'000
Amount denominated in foreign currency	
Foreign currency trade finance (US dollar)	105,544
Revolving credit (US dollar)	25,151
Term loans	35,561

Foreign currency trade finance is utilized for working capital requirements involving purchases and sales of tin concentrates and tin metal denominated in US dollar.

Short term borrowings bear interest at rates ranging from 2.71% to 4.97% (2007 : 3.73% to 7.75%) per annum.

The term loans bear interest at rates of between 0.85% to 1% above banks' cost of funds and are repayable by quarterly and semi-annual instalments.

21. **Financial Instrument with Off Balance Sheet**

As at 2 August 2008, the Group had the following outstanding financial instruments:

Forward foreign currency hedging contracts in respect of the Group's sales and purchases of tin :-

Currency	Contract Amount Million	Equiv. Amount RM'000	
US Dollar	27.5	89,184	Different maturity dates up to December 2008
Indonesian Rupiah	69,113	24,484	Different maturity dates up to March 2010

22. **Material Litigation**

Since the Company's last announcement on 12 May 2008 relating to the 1st Quarter 2008 Interim Financial Report, there was no new development on the outstanding material litigations at 2 August 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

23. **Material Change in the Quarterly Results as Compared with the Preceding Quarter**

Group pre-tax profit for the 2nd quarter 2008 was RM8.09 million compared with RM25.47 million recorded in the preceding quarter.

The lower profit was mainly due to low production at PT Koba Tin, as a result of the suspension of the small-scale mining operations as stated in Note 11(a), higher fuel and other costs, loss in foreign exchange due to the weakening of the Malaysian Ringgit and the share of loss of associated companies.

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

Group pre-tax profit for the 6-month ended 30 June 2008 increased by 25.2 % to RM33.56 million from RM26.80 million for the corresponding period of the previous year mainly due to overall better performance from both the Malaysian and Indonesian operations arising from higher tin prices.

No item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group from the end of the 2nd quarter of 2008 to the date of this announcement.

25. **Current Year Prospects**

In the light of the current high tin prices and the expected resumption of the small-scale mining operations in PT Koba Tin as stated in Note 11(a) and barring any unforeseen circumstances, the Group should perform better in the second half compared to the first half of the current year.

26. **Variance of Actual Profit from Forecast Profit (Final Quarter Only)**

Not applicable.

27. **Basic Earnings Per Share**

	6 months ended 30.06.2008
Net profit attributable to equity holders of the parent (RM)	18,335,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	24.4

28 **Dividend Payable**

The Directors have declared an Interim Dividend of 8 sen less 26% tax per share (2007: 8 sen less 27% tax per share) amounting to a total of RM 4.44 million (2007: RM4.38 million) for financial year ending 31 December 2008.

NOTICE IS HEREBY GIVEN that the above interim dividend will be paid on 28 October 2008 to Depositors registered in the record of Depositors at the close of Business on 8 October 2008.

A depositor shall qualify for the entitlement only in respect of:-

- a) Shares transferred into the Depositor's Securities Account before 5.00 p.m.

on 8 October 2008 in respect of transfer; and

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

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
8 August 2008