NOTES TO THE 3rd INTERIM FINANCIAL REPORT – 30 SEPTEMBER 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 3rd 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 September 2008 were as follows:

	Net Amount Jan/Sept 2008 RM'000	Net Dividend Per Share Jan/Sept 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	971,993	1,938,531	44,327
Indonesia	470,580	258,480	18,451
Others	62,324	-	(7,185)
	1,504,897	2,197,011	55,593
Consolidation adjustments related to intra group transactions	(248,471)	(325,743)	-
	1,256,426	1,871,268	55,593

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 31 October 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:

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 has 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 and third quarters of the current year. The necessary approvals from the relevant authorities to resume small-scale mining were finally received and production recommenced at the end of October 2008.

12. **Changes in the Composition of the Group**

Save as disclosed in Note 18 and below, there was no change in the composition of the Group for the 3rd quarter 2008 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

On 1 July 2008, the Company ("MSC"), had jointly with its 42.7%-associated company, Australia Oriental Minerals NL ("AOM"), entered into a share sale agreement with Taurus Capital Incorporated for the acquisition of 30% interest each in Asiatic Coal Pte Ltd (Asiatic Coal), totalling 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).

The purchase consideration for the share sale agreement was based on the valuation of USD15 per tonne of coal for 1.5 million tonnes, for the entire existing equity interest in Asiatic Coal. In the event of discovery of measured and indicated coal resources, determined in accordance with the Code for Reporting of Mineral Resources and Ore Reserves of the Australian Joint Ore Reserves Committee, which exceeds a value of 1.5 million tonnes and up to a maximum of 10.0 million tonnes ("Additional Resources"), Asiatic Coal shall issue additional new ordinary shares in Asiatic Coal to Taurus Capital, equivalent to the valuation of the Additional Resources ("Additional New Shares"). As stated in the same announcement, MSC and AOM will each have the option of acquiring up to 30% of the Additional New Shares.

13 **Changes in Contingent Liabilities and Contingent Assets**

At 31 October 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 September 2008 was as follows :

	30.09.2008 RM'000
Approved but not contracted	23,593
Contracted but not provided for	429
	24,022

15 **Related Party Transactions**

The following are significant related party transactions :

	9 months ended 30.09.2008 RM'000
Management fee paid/ payable to related companies	5,491
Sales of products to an associate	42,170

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 :

	9 months ended 30.09.2008 RM'000
Current taxation	
Malaysian income tax	11,751
Foreign tax	8,319
Deferred tax	543
Underprovided in prior year	622
Total	21,235

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, losses incurred by certain foreign subsidiaries not being available for tax relief against the Group profit and under provision of taxation in prior year.

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

There was no profit on sale of unquoted investment and/or property for the 3rd quarter 2008.

18. Purchase and Sale of Quoted Securities

Save as disclosed below, there was no purchase or sale of quoted securities in the 3rd quarter 2008.

The Company has subscribed for 20,000,000 new ordinary shares amounting to approximately RM9.10 million in a renounceable rights issue in an associate, Beaconsfield Gold NL (BCD). The subscriptions were completed on 2 September 2008. The Company's direct shareholding in BCD increased from 18.90% to 22.48%. BCD is listed on the Australian Securities Exchange.

19. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 31 October 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 31 March 2009.

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 31 December 2008.

c. On 23 September 2008, the Company announced that its public shareholding spread of 22.67% is not in compliance with the requirement as stipulated in paragraph 8.15(1) of Bursa Malaysia Listing Requirements, pursuant to a substantial shareholder notice received from Siong Lim Private Limited on 18 September 2008. Bursa Malaysia has granted an extension of time of six (6) months from 23 September 2008 to 22 March 2009 for the Company to comply with the public shareholding spread requirement pursuant to paragraph 8.15(1) of Bursa Malaysia Listing Requirements.

d. On 8 August 2008, the Company ("MSC") made the following announcements :-

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

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

iii. Proposed increase in the authorised share capital of MSC.

In view of the current uncertain market condition, the Company has decided to extend the timeframe to submit the application to the Securities Commission in relation to the Proposed Rights Issue.

20. **Group Borrowings and Debts Securities**

Group borrowings as at 30 September 2008 comprise the following :

		30.09.2008 RM'000
a)	**Short Term Borrowings (unsecured)**	
	Foreign currency trade finance	285,153
	Revolving credits	109,444
	Bankers' acceptances	120,086
		514,683
	Current portion of term loans	17,995
		532,678

		30.09.2008 RM'000
b)	**Long Term Borrowing (unsecured)**	
	Term loans	108,015

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	83,196
Revolving credit (US dollar)	26,096
Term loans (US dollar)	33,701

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 6.25% (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. Off Balance Sheet Financial Instrument

As at 31 October 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, the Group had the following outstanding 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	10.8	37,347	Different maturity dates up to December 2008
Indonesian Rupiah	74,889	27,479	Different maturity dates up to March 2010

22. Material Litigation

Since the Company's last announcement on 8 August 2008 relating to the 2nd Quarter 2008 Interim Financial Report, there was no new development on the outstanding material litigations at 31 October 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 3rd quarter 2008 was RM22.04 million compared with RM8.09 million recorded in the preceding quarter.

The higher profit was mainly due to overall better performance from both the Malaysian and Indonesian operations arising from higher tin prices.

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

Group pre-tax profit for the 9-month period ended 30 September 2008 increased by 28.8 % to RM55.59 million from RM43.17 million for the corresponding period of the previous year mainly due to reason stated in Note 23 above.

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 3rd quarter of 2008 to the date of this announcement.

25. **Current Year Prospects**

With the drastic slow down of the world economy as the result of the global financial crisis, tin prices have fallen substantially and coupled with the delay in the resumption of its small-scale tin mining operations, this would have an adverse impact on the performance of MSC Group. Barring any unforeseen circumstances, MSC Group's overall performance for the current year is expected to be lower than that of the previous year.

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

Not applicable.

27. **Basic Earnings Per Share**

	9 months ended 30.09.2008
Net profit attributable to equity holders of the parent (RM)	30,603,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	40.8

28 **Dividend Payable**

An interim dividend of 8 sen less 26% tax per share (2007: 8 sen less 27% tax per share) for the financial year ending 31 December 2008, amounting to RM4.44 million was paid on 28 October 2008.

The Directors do not recommend any further dividend for the 3rd quarter ended 30 September 2008.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
6 November 2008