

Tin – the 'green' metal of the new millennium.



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MSC is a world leader in tin smelting and refining. It procures low, medium and high grade tin concentrates and complex tin-bearing feed materials from more than twenty countries worldwide. MSC's premier quality finished products are marketed and consumed in all the five continents of the world.

Notice Of Meeting

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at the Bayan Room, Equatorial Hotel Penang, Jalan Bukit Jambul, Penang, Malaysia on Tuesday 30th May, 2000 at 11.30 a.m. for the purpose of considering and if thought fit, passing the following as ordinary resolutions:-

1. "THAT the Report of the Directors and Accounts for the year ended 31st December, 1999 and the Report of the Auditors thereon be and are hereby received and adopted".
2. "THAT the final dividend of 10 sen per RM1.00 share, tax exempt, for the year ended 31st December, 1999 be and is hereby approved and declared payable on 17th July, 2000 to shareholders on the Register of Members at 5.00 p.m. on 19th June, 2000".
3. "THAT Y. Bhg Tan Sri Datuk Ibrahim Menudin, who retires by rotation, be and is hereby re-elected a Director of the Company".
4. "THAT Y. Bhg Jeneral (B) Tan Sri Datuk Ibrahim bin Datuk Ismail, who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby reappointed a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965, to hold office until the conclusion of the next Annual General Meeting of the Company".
5. "THAT Mr. Choi Siew Hong, who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby reappointed a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965, to hold office until the conclusion of the next Annual General Meeting of the Company".
6. "THAT Dato' Siew Nim Chee, who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby reappointed a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965, to hold office until the conclusion of the next Annual General Meeting of the Company".
7. "THAT the Directors' fees of RM120,000 in respect of the year ended 31st December, 1999 be and is hereby approved payable to non-executive Directors in such proportion and manner as the Directors may determine".
8. "THAT Messrs Ernst & Young, who are eligible and have given their consent for reappointment, be and are hereby reappointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board".



Notice Of Meeting

NOTICE TO CLOSE REGISTER OF MEMBERS **Notes:**

The Share Transfer Books and Register of Members of the Company kept by the Company's Registrar, Pernas Charter Management Sdn Bhd of 32nd Floor, Menara PNB, 201A, Jalan Tun Razak, 50400 Kuala Lumpur, will be closed from 20th to 21st June, 2000 (both days inclusive) for the purpose of determining shareholders' entitlement to the final dividend of 10 sen per RM1.00 share, in respect of the year ended 31st December, 1999.

FURTHER NOTICE IS HEREBY GIVEN that the final dividend of 10sen per share will be payable on 17th July, 2000 to depositors registered in the Record of Depositors at the close of business on 19th June, 2000. A depositor shall qualify for the entitlement only in respect of:-

- a. Securities transferred into the Depositor's Securities Account before 12.30 p.m. on 19th June, 2000 in respect of ordinary transfers;
- b. Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 14th June, 2000 in respect of securities which are exempted from mandatory deposit; and
- c. Securities bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

- 1) *A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- 2) *A proxy form is enclosed and to be valid must reach the Registered Office of the Company at 27 Jalan Pantai, 12000 Butterworth, Penang not less than forty-eight (48) hours before the meeting.*
- 3) *If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.*

BY ORDER OF THE BOARD

Abdul Rahim Hussain

Secretary
Butterworth
12th May, 2000



Corporate Information

BOARD OF DIRECTORS

Tan Sri Datuk Ibrahim Menudin
(Chairman)

Dato' Mohd Ajib Hj Anuar
(CEO/Executive Director)

Jeneral (B) Tan Sri Datuk Ibrahim bin Datuk Ismail
Choi Siew Hong
Hj Ab Sukor bin Shahar
Norman Ip Ka Cheung
Dato' Mohd Desa Pachi
Dato' Siew Nim Chee

COMPANY SECRETARY

Abdul Rahim Hussain (LS7064)

AUDIT COMMITTEE

Choi Siew Hong
(Chairman)
(Independent non-executive Director)
Hj Ab Sukor bin Shahar
(Independent non-executive Director)
Norman Ip Ka Cheung
(Independent non-executive Director)
Dato' Mohd Desa Pachi
(Independent non-executive Director)
Dato' Mohd Ajib Hj Anuar
(CEO/Executive Director)

MANAGEMENT

Dato' Mohd Ajib Hj Anuar *(CEO/Executive Director)*
Lai Fook Hoy *(General Manager, Operations)*
Yap Fook Ping *(Financial Controller)*
Abdul Rahim Hussain *(Company Secretary)*
Chua Cheong Yong *(Senior Manager, Commercial)*

REGISTERED OFFICE

27 Jalan Pantai
12000 Butterworth, Penang
Telephone No. 04-3333500
Telex TIMAH MA 47566
Telefax No. 04-3317405/3326499

KUALA LUMPUR MARKETING OFFICE

1009, 10th Floor, PJ Tower
AMCORP Trade Centre
18 Jalan Persiaran Barat
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone No. 03-7587326/7587141/
7553848/7572789
Telefax No. 03-7572599/7584090

SHARE REGISTRARS

Pernas Charter Management Sdn Bhd
32nd Floor, Menara PNB
201A, Jalan Tun Razak
50400 Kuala Lumpur

AUDITORS

Ernst & Young
Public Accountants

BANKERS

Bumiputra - Commerce Bank Berhad
Citibank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad
Southern Bank Berhad
The Bank of Nova Scotia Berhad
The Pacific Bank Berhad

STOCK EXCHANGE LISTING

The Kuala Lumpur Stock Exchange

With a strong focus on enhancing its global competitive edge through continued investments in R & D, process engineering, information technology and customer-driven needs, together with an excellent and extensive international commercial network, MSC intends to stay ahead in the tin smelting industry well into the new millennium.



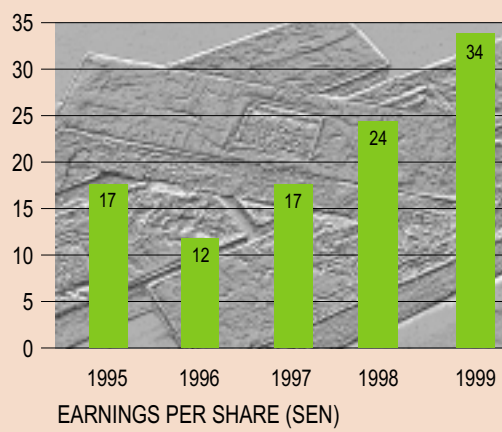
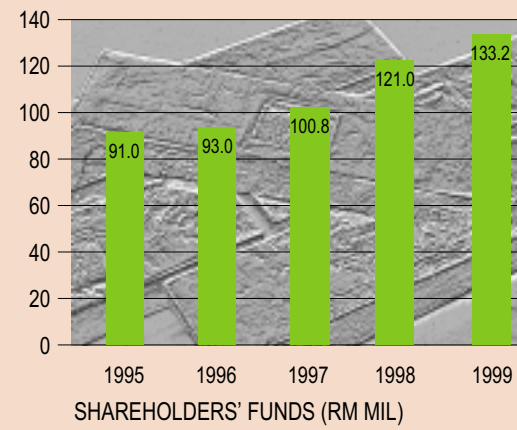
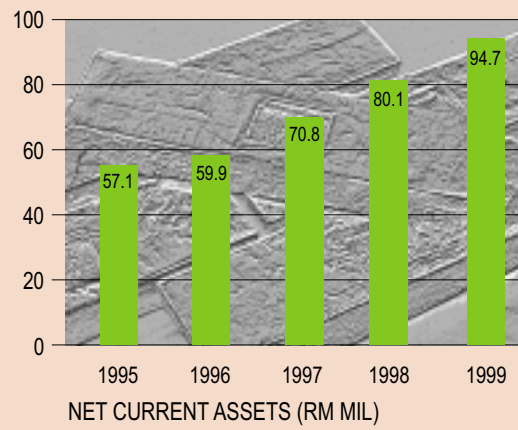
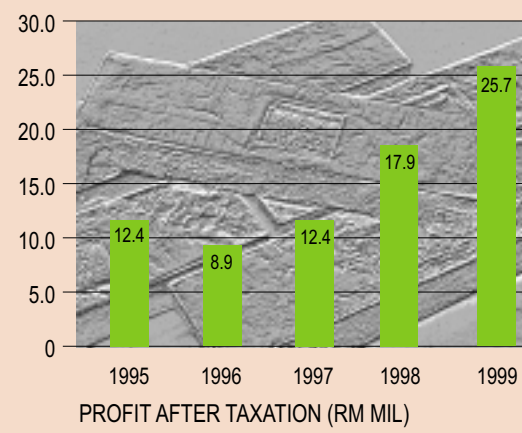
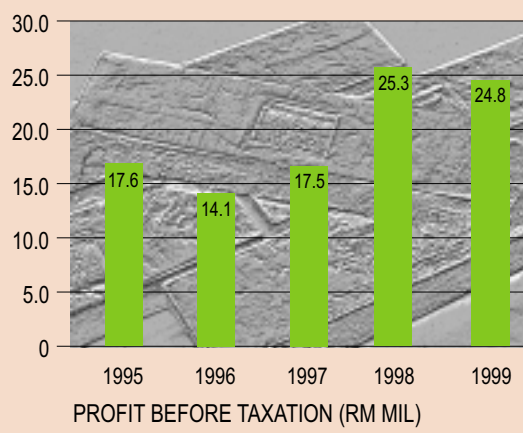
Financial Highlights

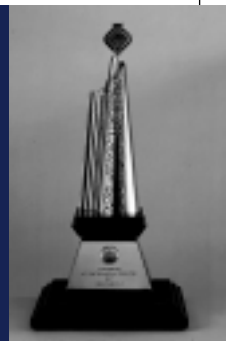
		Year Ended 31st December				
		1995	1996	1997	1998	1999
Turnover	(RM Mil)	422.2	394.3	374.9	701.1	742.1
Profit before exceptional items	(RM Mil)	17.6	17.1	18.2	25.3	24.8
Exceptional items	(RM Mil)	-	(3.0)	(0.7)	-	-
Profit before taxation	(RM Mil)	17.6	14.1	17.5	25.3	24.8
Profit after taxation	(RM Mil)	12.4	8.9	12.4	17.9	25.7
Extraordinary item	(RM Mil)	-	-	2.3	-	-
Profit attributable to shareholders	(RM Mil)	12.4	8.9	14.7	17.9	25.7
Total assets	(RM Mil)	123.5	111.9	128.1	175.0	195.5
Net current assets	(RM Mil)	57.1	59.9	70.8	80.1	94.7
Shareholders' funds	(RM Mil)	91.0	93.0	100.8	121.0	133.2
Earnings per share	(sen)	17	12	17	24	34
Gross dividend per share	(sen)	13	13	13	17	18
Net asset per share	(sen)	121	124	134	161	178
Pre-tax return on average shareholders' funds	(%)	20	15	18	23	20



MSC is the first tin smelter in the world to obtain accreditation to the prestigious ISO 9002. It is also the winner of the Malaysian 1997 Industry Excellence Award for product excellence for its high purity tin metal.

Financial Highlights





Audit Committee

COMPOSITION AND TERMS OF REFERENCE

Constitution

The Audit Committee was established on 30th August, 1994.

Membership

The Committee shall be appointed by the Board of Directors and shall consist of at least three and not more than five Directors, including the Chief Executive Officer. A quorum shall be three members (two, if the Committee consists of four or fewer members).

The Chairman of the Committee shall be appointed by the Board, except that the Chief Executive Officer shall not be the Chairman.

The Committee currently consists of the following members:

Choi Siew Hong
Chairman (Independent Non-Executive Director)

Hj Ab. Sukor bin Shahar
Director (Independent Non-Executive Director)

Norman Ip Ka Cheung
Director (Independent Non-Executive Director)

Dato' Mohd. Desa Pachi
Director (Independent Non-Executive Director)

Dato' Mohd. Ajib Hj. Anuar
CEO/Executive Director

Attendance at Meetings

The General Manager (Operations), Financial Controller, Internal Auditor and a representative of the External Auditors shall normally attend meetings. The Company Secretary shall be the Secretary of the Committee.

Frequency of Meetings

Meetings shall be held not less than twice a year. Additional meetings may be called at anytime at the discretion of the Committee's Chairman.

Authority

The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee.

Duties

The duties of the Committee are to review, appraise and report to the Board of Directors on the following:

- the appointment of the External Auditors, the audit fee and any question of resignation or dismissal;
- the audit plan before the external audit commences;
- the results and findings of the audit, the External Auditors' management letter and the implementation of any recommendations made therein;
- the quarterly and annual financial statements before submission to the Board;
- the internal audit programme, major findings of internal audit and management's response; and
- any related party transactions that may arise within the Company or Group.

Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Committee and Board of Directors. The Committee's Chairman shall report on each meeting to the Board of Directors.



Board Of Directors



Tan Sri Datuk Ibrahim Menudin
(Chairman)



Dato' Mohd Ajib Hj Anuar
(CEO/Executive Director)



From left:
Jeneral (B) Tan Sri Datuk
Ibrahim bin Datuk Ismail
(Director)

Choi Siew Hong
(Director)

Hj Ab Sukor bin Shahar
(Director)



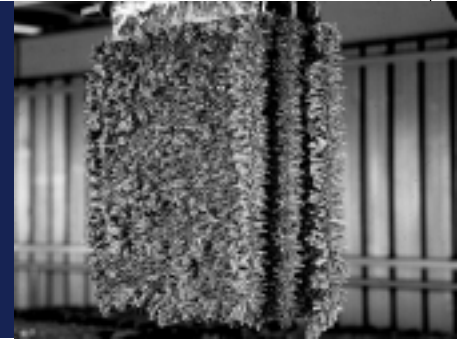
From left:
Norman Ip Ka Cheung
(Director)

Dato' Mohd Desa Pachi
(Director)

Dato' Siew Nim Chee
(Director)



MSC Straits Refined Tin brand is widely acknowledged as a premier tin brand and has been consumed in industries worldwide for over a century. Its current annual production represents more than 10% of world's consumption. MSC is currently the world's largest producer of high purity tin of 99.99% Sn.



Statement By The Chairman And The Chief Executive Officer

On behalf of the Board of Directors, we are pleased to present the Annual Report and Accounts of Malaysia Smelting Corporation Berhad and its subsidiaries for the year ended 31st December 1999.

The growth in world tin consumption continued unabated, fuelled by the strengthening global economy and the strong recovery of the Asian economies from the region's economic and financial crisis of 1997/98. Tin's demand inelasticity, particularly in the beverage and food packaging sectors and the robust growth in the global electronics sector helped underpin stable growth in global consumption in 1999. As a whole, tin consumption in Asia rose by 3.9% during 1999, with China and South Korea being the powerhouses recording double-digit gains in consumption. The U.S. and European markets remained strong, averaging increases in tin consumption of 2.0% and 1.7% respectively.

World mine production of tin-in-concentrates remained relatively stable at around 220,000 tonnes. China continued to be the world's largest producer with a reported production of 81,869 tonnes of tin-in-concentrates in 1999. Falls in mine production in Indonesia, Brazil, Bolivia and Portugal were offset by increases in Peru, Malaysia and Thailand. Falling ore grades and reserves and idling of high cost capacity mines, particularly in Brazil, Portugal and Bolivia, would likely lead to a further decline in the overall production of these countries. Although China and Peru are believed to have significant resources to increase their production, new major scale explorations are needed to identify new reserves and resources worldwide to enhance the global tin industry's long-term outlook on its ability to meet the growing demand for tin.

In Malaysia the revival of the local mining industry continued strongly with a production of 7,340 tonnes of tin-in-concentrates, an increase of 1,576 tonnes over the 1998 figure. The number of operating units in Malaysia, including retreatment plants, increased by 7 to 45 units as at the end of 1999. Domestic intake accounted for 23% of the Company's total intake of feed materials for 1999.

The London Metal Exchange (LME) three months' prices declined slightly by 1.3% from an average of US\$5,489 per tonne in 1998 to US\$5,406 per tonne in 1999. However, the rapid recovery of the Asian economies from the recent crisis and the sustainability of the growth rates in major industrialized countries provided the impetus for a major recovery in base metals prices towards the last quarter of 1999. The LME 3 months' tin price closed the year strongly at US\$6,095 per tonne. LME warehouse stocks rose to 9,560 tonnes at the end of 1999 compared to approximately 8,000 tonnes at the beginning of the year. This is due to continued strong Chinese tin shipments to LME warehouses during the year.

At the Kuala Lumpur Tin Market (KLTM) the price volatility vis-à-vis LME price movements, experienced in 1998 as a result of currency fluctuations gave way to more stable prices after the introduction of the pegged rate for the US\$/RM exchange rate by the Central Bank of Malaysia. The average KLTM price for 1999 was RM20.19 per kilogramme, a decline of RM1.05 per kilogramme compared with the average for 1998. In tandem with LME price movements KLTM prices also moved upward during the last quarter closing strongly at RM22.33 per kilogramme.



MSC is committed to playing a leading role in providing solutions in global tin supply-chains and optimising values to its suppliers; and customers' businesses worldwide. It operates one of the most cost-efficient smelting plants in the world.

Statement By The Chairman And The Chief Executive Officer

The Company remained focussed on its core business of smelting, refining and marketing of tin metal and associated by-products. As an international tin smelter which has no captive source of feed materials, the Company competes in the global market to procure sufficient materials to feed its plant. The Company derives its competitive strength from working very closely with its suppliers, customers and logistic operators worldwide and focussing on value-adding activities spanning the entire global tin supply chains: exploration – mining and mineral processing – logistic and distribution – smelting and refining – end-product manufacturing and marketing. The objective is to collectively participate in optimising values to all sectors of the global tin industry, making them healthy and globally competitive. This will ensure the continued long-term viability and growth of the world tin industry. In Malaysia the Company plays a proactive and leading role in efforts to revitalise the domestic tin mining industry. The increase in local mines' production has in fact benefited the Company, as it is now the sole tin smelter operating in Malaysia following the closure of the smelting operations of Escoy Smelting Sdn Bhd in Penang in the middle of 1998.

The Company also works very closely with ITRI Limited, London (previously The International Tin Research Limited) and the organisation has made significant inroads in its market development and technical research into new tin applications which are expected to boost future world tin consumption. The latest developments have heralded a new optimism in tin and the metal has entered the new millennium as an important strategic industrial, technologically superior and environmentally friendly metal with widespread applications. A

major development is the application of lead-free solders in the electronics industry where, currently, the demand for tin-in-solder has benefited strongly from the robust growth in the production of electronic and electrical products worldwide. Overall, the solder industry has overtaken the tin plate industry as the largest end-use sector for refined tin. The Company has taken a positive step forward by directly participating in this growth sector of the tin industry through the acquisition of a 40% interest in a solder manufacturing company with access to global market, which we will elaborate further in the latter part of this statement.

In meeting the challenges in the years ahead the Company recognises that its growth in the current core business of tin smelting will be somewhat limited to additional productivity gains which it could achieve from its on-going operations. These gains, however, could be offset by any uncontrollable increase in operating costs due to external factors such as increase in electricity and fuel oil prices. The operating environment is therefore always dynamic and challenging requiring focus on its global competitive strength and position. In order to broaden and enhance its long-term earnings base the Company will pursue its diversification strategy in metal and metallurgical related business and technologically advanced industrial materials which have synergistic benefits.

Results

Amidst the very challenging operating environment, the Group managed to maintain its creditable performance during 1999 and exceeded the lower profit expectation made in the Chairman's statement last year, with profit before taxation of RM24.809

From Penang container ports, tin-bearing materials are transported to the MSC plant for comprehensive weighing and sampling procedures. MSC's modern laboratories ensure fast and accurate results for suppliers.



Statement By The Chairman And The Chief Executive Officer

million which was very close to RM25.327 million achieved in 1998. Turnover rose by 5.9% to RM742.136 million, on the back of an increase in the volume of concentrates smelted and sales of tin metal, despite a 4.9% lower average tin price received during the year. The profit after taxation recorded a significant increase of 43.9% to RM25.729 million from RM17.883 million achieved in the preceding year mainly due to corporate tax exemption on profits made in 1999. The earnings per share was therefore substantially higher at 34 sen (1998: 24 sen).

The Group's cash position had also strengthened considerably during the year with year-end closing cash balance recording a significant increase mainly due to improvement in operating efficiencies and a higher metal production.

Dividend

The Board has proposed the payment of a final dividend of 10 sen per share tax-exempt for the year ended 31st December 1999 (1998: 9 sen per share less 28% tax). This, subject to the approval of shareholders, will be payable on 17th July 2000. Together with the interim dividend of 8 sen per share tax-exempt paid on 8th October 1999, the total dividend paid and proposed for the year is 18 sen per share tax-exempt (1998: 17 sen per share less 28% tax).

Smelting and Refining Operations

The Company was able to sustain a high level of intake of tin concentrates and tin-bearing materials during 1999. As the plant utilisation had already been stretched to its maximum potential capacity the Company had to deliberately limit the total feed intake to about 45,020 tonnes which were approximately equivalent to the previous year's level of intake. The space constraint at the existing plant's location is posing physical limitation to any

plant expansion. Therefore any further increase in smelting capacity will have to be generated from operational efficiencies, although in the longer term the Company recognises that it has to consider finding a new location with a larger land area.

The high feed intake together with the higher level of unprocessed stock of concentrates brought forward from the previous year as well as the capacity constraint provided greater operating challenges to the Company in its objective to optimise performance in terms of costs and metal production. Greater attention was therefore focused on improving turnaround time in smelting and refining operations, especially in treating intermediate stocks of more complex feed materials with higher level of impurities. The positive results achieved enabled the Company to increase the volume of concentrates treated and record a significant increase in the production of refined tin metal during the year. Including the premium grade high purity tin metal of 99.99% Sn, the Company produced 28,978 tonnes of refined tin metal during the year, an increase of 12% from 25,702 tonnes produced in 1998. The Company also made some satisfactory returns from the purchases and sales of by-product materials.

The higher production volume had, to a certain extent, minimised the negative impact of the significant increase in fuel costs as well as the general increase in manpower costs during 1999. Fuel oil price, in particular, recorded an average increase of 14% during the year and an increase of 50% during the last quarter of the year. Necessary measures had been taken, as part of ongoing efforts to improve cost effectiveness, to achieve greater efficiencies in process materials usage and energy consumption in order to control the overall operating costs and maintain the Company's competitive edge in the international market.



The Company's expansion strategy will focus on investments in upstream tin mining operations as well as in downstream manufacturing activities which can provide vertical integration to the Company's tin smelting and marketing business with significant growth potential.

Statement By The Chairman And The Chief Executive Officer



Exchange of agreement for the acquisition of 40% equity interest in Redring Solder (M) Sdn Bhd.

Diversification

In December 1999 the Board announced the acquisition of 40% equity interest in Redring Solder (M) Sdn Bhd whose principal activities are the manufacturing and sale of solder products which are tin-based alloys used for jointing and semiconductor applications in the electrical and electronic industries. Redring exports 60% – 70%

of its products to electronics consumers based in Asia Pacific, Europe and North American regions. In Malaysia, Redring's products are mainly consumed by multinational electronics companies operating in free industrial zones. The acquisition provides vertical integration to the Company's tin smelting business and an entry into a profitable downstream solder manufacturing business with



significant growth potential. The acquisition is expected to be completed in March 2000 for a total consideration of RM10.4 million which will be wholly funded through internally generated funds. The Board expects that the acquisition will contribute positively towards the future earnings of the Group.

Representatives from MSC and Redring Solder at the Signing Ceremony.

MSC has achieved an unsurpassed global reputation and stature built on trust and integrity. These, combined with prudence, creativity and respect for the environment, are values upon which the Company intends to continually build in the pursuit of its goals now and in the future.



Statement By The Chairman And The Chief Executive Officer

As part of its diversification strategy the Company will continue to examine any opportunities for investment in upstream tin mining operations in strategic alliance with leading mining companies in order to assure access to a stable long-term supply of tin concentrates to meet a significant part of its feed materials requirements.



Prospects

It is anticipated that the supply of tin concentrates and tin-bearing materials will continue to remain at a high level in 2000. However, the increase in operating costs, particularly oil price, will have a negative effect on the Company's operating margin. Net income from purchases and sales of by-product materials is also anticipated to be lower in the current year. In the circumstances, the Board expects the earnings in 2000 to be lower than those of the previous year.

Acknowledgement

On behalf of the Board, we wish to express our deep appreciation to the management and employees for their hard work and dedication and to our shareholders, customers and business associates for their support and confidence.

Finally, we would also like to record our appreciation to our colleagues on the Board for their invaluable contributions and support throughout the year.

TAN SRI DATUK IBRAHIM MENUKIN
Chairman

DATO' MOHD AJIB HJ ANUAR
Chief Executive Officer