



Annual Report 2001

# Contents

02 >	Vision, Mission and Core Values
03-04 >	Notice of Annual General Meeting
05 >	Corporate Information
06-07 >	Financial Highlights
08 >	Board Of Directors
09-10 >	Directors' Profile
11-12 >	Audit Committee
13-14 >	Chairman's Statement
15-16 >	Chief Executive Officer's Review
17-22 >	Statement on Corporate Governance
23-24 >	Audit Committee's Report
25-51 >	Financial Statements
52 >	List of Properties
53-56 >	Tin-An Innovative Industrial Metal
57-60 >	Tin Statistics
61-62 >	Shareholdings Statistics
63-64 >	Proxy Form



**MSC** *Malaysia Smelting Corporation Berhad*

**VISION**

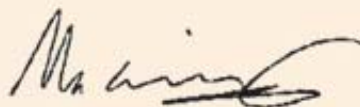
- To be a successful world-class organization in its integrated core businesses of mining, smelting, manufacturing and global marketing for tin and tin-based products delivering sustainable shareholder value through quality operations.

**MISSION**

- Whether in the upstream or downstream sectors of the world tin industry, the name MSC will be synonymous with creativity, value, service and quality.
- MSC Group will be a creative organization, caring about its employees and its customers.
  - We will provide the highest levels of service to all the Group's suppliers and customers by participating and contributing solutions and values in all stages of the world tin supply chains - mining, smelting, refining, recycling, products transformation, engineering and marketing;
  - We will respond quickly and sensitively to the changing needs of the Group's suppliers and customers;
  - We aim to nurture an atmosphere of continuous self-development by emphasizing on training and development while adhering to the highest standard of integrity.
- MSC Group's growth strategy is to leverage on its core competencies to focus on organic growth as well as on strategic acquisitions that will broaden the Group's core businesses and strengthen its global leadership position in both upstream and downstream sectors of the world tin industry.

**CORE VALUES**

- Intellectual honesty and integrity.
- Adding value through innovation and continuous improvement.
- Global perspective and competitiveness spirit.
- Respect for the environment and the health and safety of its employees.
- Creating sustainable shareholder value through quality operations.



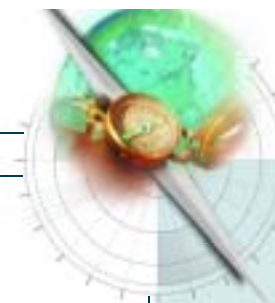
DATO' MOHD AJIB ANUAR  
CEO/Executive Director

**MALAYSIA SMELTING CORPORATION BERHAD(43072-A)**

27, Jalan Pantai, 12000 Butterworth, Malaysia. Tel: 604-333 3500 Fax: 604-332 6499 E-mail: [msc@msmelt.po.my](mailto:msc@msmelt.po.my)  
B-15-11, Block B, 15th Floor, Unit 11, Megan Phileo Avenue, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.  
Tel: (+60-3) 2166 9258-61 Fax: (+60-3) 2166 6599 E-mail: [mscl@po.jaring.my](mailto:mscl@po.jaring.my)



## NOTICE OF ANNUAL GENERAL MEETING



**NOTICE IS HEREBY GIVEN** that the Twenty-Third Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at the Enggang Room, Equatorial Hotel Penang, Jalan Bukit Jambul, Penang, Malaysia on Wednesday 29th May 2002 at 11.30 am for the purpose of considering and, if thought fit, passing the following as ordinary resolutions :-

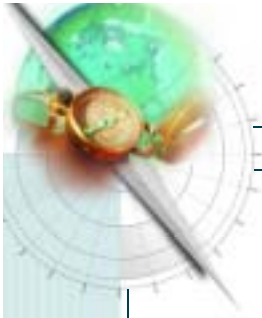
1. "THAT the audited Financial Statements for the year ended 31st December 2001 and the Report of the Directors and Auditors thereon be and are hereby received and adopted."
2. "THAT the final dividend of 12 sen per RM1.00 share, less 28% tax, for the year ended 31st December 2001 be and is hereby approved and declared payable on 10th June 2002 to shareholders on the Register of Members at 5.00 pm on 30th May 2002."
3. "THAT the following Directors, who retire in accordance with Articles 101 and 106 of the Company's Articles of Association, be and are hereby re-elected Directors of the Company :-
  - a) YBhg. Dato' Mohd Ajib Anuar (Article 101);
  - b) YBhg. Dato' Syed Abdul Jabbar bin Syed Hassan (Article 106);
  - c) Encik Ayyaril Karikulath Feizal Ali (Article 106);
  - d) Encik Mohamed Jamal Dato' Mohd Ramli (Article 106).
4. "THAT the following Directors, who retire pursuant to Section 129(6) of the Companies Act, 1965 be and are hereby reappointed Directors of the Company to hold office until the conclusion of the next Annual General Meeting.
  - a) YBhg. Jeneral (B) Tun Ibrahim bin Datuk Ismail;
  - b) Mr Choi Siew Hong;
  - c) YBhg. Dato' Siew Nim Chee."
5. "THAT the Directors' fees of RM120,000 in respect of the year ended 31st December 2001 be and is hereby approved payable to non-executive Directors in such proportion and manner as the Directors may determine.
6. "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"

### 7. SPECIAL BUSINESS

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution :-

"THAT the Company is hereby mandated to enter into the category of recurrent transactions of a revenue or trading nature with those related parties, as specified in Section 2.1 of the Circular to Shareholders dated 6 May 2002 subject further to the following :

- a) the transactions are, in the ordinary course of business, at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not to the detriment of the minority shareholders;



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## NOTICE OF ANNUAL GENERAL MEETING cont'd

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- b) disclosure is made in the annual report of the breakdown of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year and provided that such approval shall continue in force, unless revoked or varied by Ordinary Resolution of the Company in a general meeting, until the next Annual General Meeting of the Company; and
  - c) the Directors or any of them be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."
8. To transact any other business of an Annual General Meeting.

### NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN** that a final dividend of 12 sen per RM1.00 share, if approved, will be paid on 10th June 2002 to depositors registered in the Record of Depositors at the close of business on 30th May 2002. A depositor shall qualify for the entitlement only in respect of :-

- a. Shares transferred into the Depositors' Securities Account before 12.30 pm on 30th May 2002 in respect of ordinary transfers;
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

### BY ORDER OF THE BOARD

**Abdul Rahim Hussain**

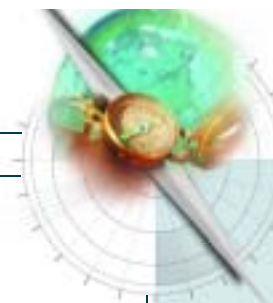
Secretary

Butterworth

6th May, 2002

### Notes :

- 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.*

**BOARD OF DIRECTORS**

Jeneral (B) Tun Ibrahim bin Datuk Ismail  
*(Chairman)*

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

Choi Siew Hong

Norman Ip Ka Cheung

Dato' Siew Nim Chee

Dato' Syed Abdul Jabbar bin Syed Hassan  
Ayyaril Karikulath Feizal Ali

Mohamed Jamal Dato' Mohd Ramli

**COMPANY SECRETARY**

Abdul Rahim Hussain (LS007064)

**AUDIT COMMITTEE**

Choi Siew Hong

*(Chairman)*

*(Non-Executive Director)*

Norman Ip Ka Cheung

*(Non-Executive Director)*

Mohamed Jamal Dato' Mohd Ramli

*(Non-Executive Director)*

**MANAGEMENT**

Dato' Mohd Ajib 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/  
PRINCIPAL PLACE OF BUSINESS**

27 Jalan Pantai

12000 Butterworth, Penang, Malaysia.

Telephone : 604-333 3500

Facsimile : 604-331 7405/604-332 6499

E-mail: msc@msmelt.po.my

**KUALA LUMPUR MARKETING OFFICE**

B-15-11, Block B, 15th Floor, Unit 11,

Megan Phileo Avenue,

12, Jalan Yap Kwan Seng,

50450 Kuala Lumpur, Malaysia.

Tel : (+60-3) 2166 9258-61

Fax : (+60-3) 2166 6599

E-mail: msckl@po.jaring.my

**SHARE REGISTRARS**

Pernas Charter Management Sdn Bhd

Level 10, Block B

Wisma Semantan

No. 12 Jalan Gelenggang

Bukit Damansara

50490 Kuala Lumpur

**AUDITORS**

Ernst & Young

Chartered Accountants

**BANKERS**

Bumiputra - Commerce Bank Berhad

Citibank Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

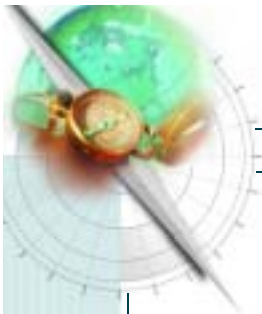
Standard Chartered Bank Malaysia Berhad

Southern Bank Berhad

The Bank of Nova Scotia Berhad

**STOCK EXCHANGE LISTING**

The Kuala Lumpur Stock Exchange

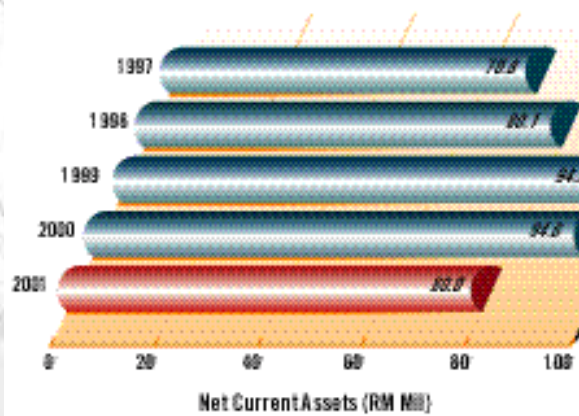
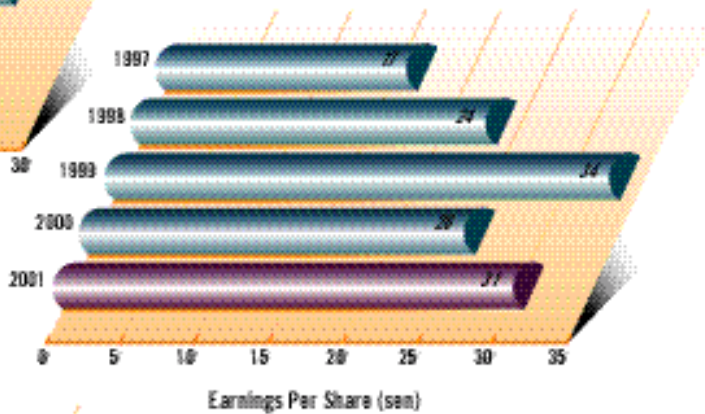
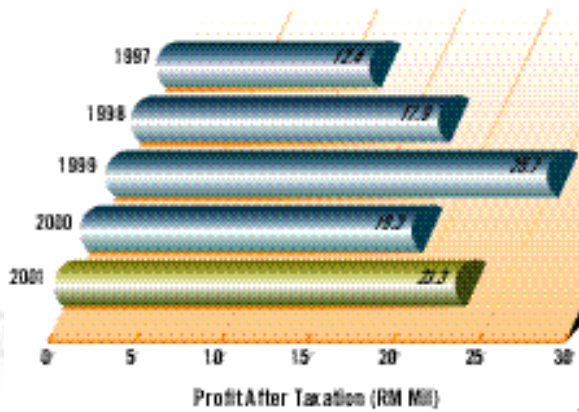
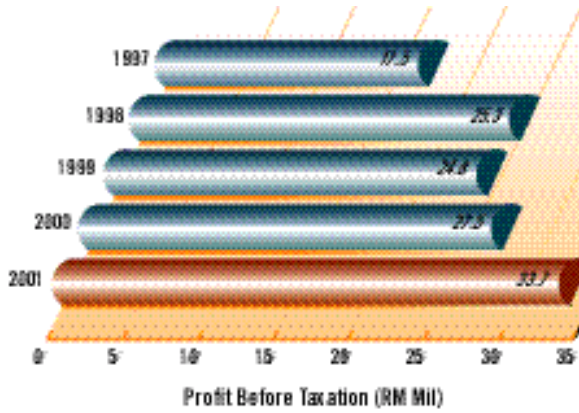
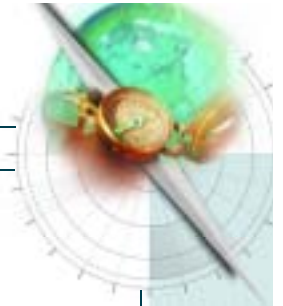


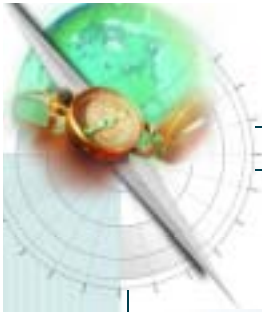
## FINANCIAL HIGHLIGHTS

		Year Ended 31st December				
		1997	1998	1999	2000	2001
Profit before exceptional items	(RM Mil)	18.2	25.3	24.8	27.5	<b>33.7</b>
Exceptional items	(RM Mil)	(0.7)	-	-	-	-
Profit before taxation	(RM Mil)	17.5	25.3	24.8	27.5	<b>33.7</b>
Profit after taxation	(RM Mil)	12.4	17.9	25.7	19.3	<b>23.3</b>
Extraordinary item	(RM Mil)	2.3	-	-	-	-
Profit attributable to shareholders	(RM Mil)	14.7	17.9	25.7	19.3	<b>23.3</b>
Total assets	(RM Mil)	128.1	175.0	195.5	192.2	<b>229.2</b>
Net current assets	(RM Mil)	70.8	80.1	94.7	94.6	<b>80.0</b>
Shareholders' funds	(RM Mil)	100.8	121.0	133.2	144.5	<b>157.0</b>
Earnings per share	(sen)	17	24	34	26	<b>31</b>
Gross dividend per share	(sen)	13	17	18	18	<b>20</b>
Net asset per share	(sen)	134	161	178	189	<b>206</b>
Pre-tax return on average shareholders' funds	(%)	18	23	20	20	<b>22</b>



FINANCIAL HIGHLIGHTS cont'd





## BOARD OF DIRECTORS



**Seated (L-R):** Dato' Syed Abdul Jabbar bin Syed Hassan, Jeneral (B) Tun Ibrahim bin Datuk Ismail, Mr. Choi Siew Hong  
**Standing (L-R):** Encik Mohamed Jamal Dato' Mohd Ramli, Dato' Mohd Ajib Anuar, Dato' Siew Nim Chee, Mr. Norman Ip Ka Cheung

### Board of Directors

Jeneral (B) Tun Ibrahim bin Datuk Ismail  
Chairman

Dato' Mohd Ajib Anuar  
CEO/Executive Director

Mr. Choi Siew Hong  
Director

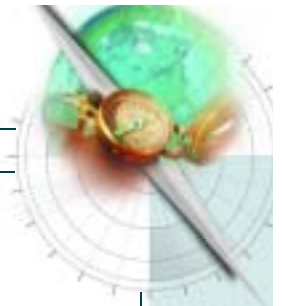
Mr. Norman Ip Ka Cheung  
Director

Dato' Siew Nim Chee  
Director

Dato' Syed Abdul Jabbar bin Syed Hassan  
Director

Encik Mohamed Jamal Dato' Mohd Ramli  
Director

Encik Ayyaril Karikulath Feizal Ali  
Director



**JENERAL (B) TUN IBRAHIM BIN DATUK ISMAIL**

**YBhg. Jen (B) Tun Ibrahim bin Datuk Ismail**, aged 79, has been a director of the Company since April 1982. He was appointed Chairman of the Company in November 2001. Tun Ibrahim retired as a Chief of the Malaysian Armed Forces and since his retirement in 1977 has held a number of corporate and public appointments. Currently he is on the Board of Permodalan Nasional Berhad and also a director of WBL Corporation Limited and The Straits Trading Company, Ltd. (since 22 April 1978) both listed in Singapore. He also sits on the boards of several private limited companies.



**DATO' MOHD AJIB ANUAR**

**YBhg. Dato' Mohd Ajib Anuar**, aged 52, has been the Chief Executive Officer and Executive Director of the Company since June 1994. He joined the Board as a Non-Executive Director in July 1986. He obtained the professional qualification of the Association of Chartered Certified Accountants, United Kingdom in 1974.

He is currently the Chairman of The Kuala Lumpur Tin Market and sits on the Boards of ITRI Limited, United Kingdom, the tin industry's international research and development body, Malaysian Chamber of Mines and the Malaysian Tin Industry (Research and Development) Board.

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



**CHOI SIEW HONG**

**Mr Choi Siew Hong** joined the Board of the Company in April 1989 and was appointed Chairman of the Audit Committee in August 1994.

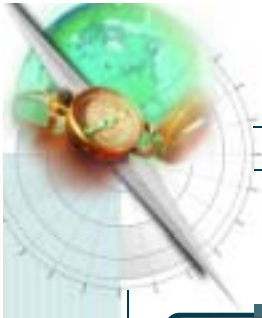
Aged 80, he holds a First Class Honours Degree in Economics from the University of Malaya. He is currently the Chairman of Pacificmas Berhad (formerly known as The Pacific Bank Berhad) and Chairman and Executive Director of United Malacca Berhad. He is also the Chairman of The Pacific Insurance Berhad and Pacific Mutual Fund Berhad and sits on the Board of Great Eastern Life Assurance (Malaysia) Berhad besides sitting on the boards of several private companies.

He has had a distinguished career in banking, having served Bank Negara Malaysia as Secretary and Adviser from December 1958 to January 1966 and then as Deputy Governor to October 1972. He was an Executive Director of the World Bank representing Malaysia and other countries in the South East Asia Voting Group from November 1972 to October 1975. He served as a senior executive and later as General Manager in the Malaysia Division of Overseas Chinese Banking Corporation Limited from 1976 to July 1986. He was Chairman of OCBC Bank (Malaysia) Berhad from August 1974 to September 1997 before resuming his previous position of The Pacific Bank Berhad.



**NORMAN IP KA CHEUNG**

**Mr Norman Ip Ka Cheung**, aged 50, a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales, was first appointed to the Board in 1993. He is the President and Chief Executive Officer of the Straits Trading Group, Singapore. Prior to joining Straits Trading in 1983, he was a Supervisor with Ernst & Whinney (now known as Ernst & Young), specializing in audits of conglomerates. He also sits on the boards of the following listed companies : Tronoh Mines Malaysia Bhd and Killinghall (M) Bhd.



## DIRECTORS' PROFILE cont'd



### **DATO' SIEW NIM CHEE**

**YBhg. Dato' Siew Nim Chee**, aged 77, joined the Board in 1995.

He graduated from University Malaya in 1951 with a Bachelor's Degree (Hons) in Economics. In 1953, he graduated from Cornell University, New York, USA with a M.Sc. in Industrial & Labour Relations. He started his working career in 1953 as an Assistant Lecturer in University of Malaya and was a Lecturer from 1955 to 1958 in the same university. He was a Chief Economist of Bank Negara Malaysia from 1959 to 1964. He worked as an Advisor with Exxon (M) Berhad from 1965 to 1969. From 1970 to 1977, he served as Managing Director of Magnum Corporation Berhad. He was a Group Consultant to Genting Berhad and Kien Huat Realty Sdn Bhd in 1978. He is currently a Director/Advisor of Ancom Berhad.

His other directorships in public-listed companies are Ancom Berhad, Asiatic Development Berhad, Johan Holdings Berhad, Malaysian Oxygen Berhad, Resorts World Berhad and UAC Berhad. He also sits on the boards of several other private limited companies.



### **DATO' SYED ABDUL JABBAR BIN SYED HASSAN**

**YBhg. Dato' Syed Abdul Jabbar bin Syed Hassan**, aged 62, was appointed as a Director of the Company in February 2002. He is currently the Chairman of Malaysia Mining Corporation Berhad and a Non-Executive Director of Star Publications (Malaysia) Berhad. Previously, he was the Chief Executive Officer of the Kuala Lumpur Commodity Exchange (KLCE), Executive Chairman of Malaysia Monetary Exchange (MME) and Executive Chairman of Commodity & Monetary Exchange. He has a degree in economics from the University of Western Australia and Masters of Science in Marketing from the University of Newcastle-Upon-Tyne, United Kingdom.



### **MOHAMED JAMAL BIN DATO' MOHD RAMLI**

**Encik Mohamed Jamal bin Dato' Mohd Ramli**, aged 47, was appointed to the Board of Directors of the Company in March 2002.

He currently sits on the Board of Directors of L & M Corporation (Malaysia) Bhd (LMC). Besides being a Fellow member of the Association of Chartered Certified Accountants, United Kingdom and a Registered member of the Malaysian Institute of Accountants, he also holds an MBA from Cranfield University, United Kingdom.

Before joining LMC, he had 20 years experience and exposure in a wide range of industries, such as, stockbroking, manufacturing, investment holdings, unit trust, property development, hotel management and agriculture.

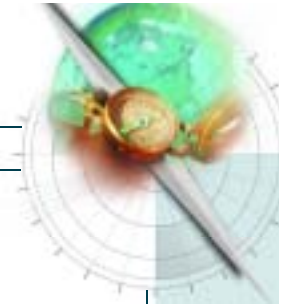


### **AYYARIL KARIKULATH FEIZAL ALI**

**Encik Feizal Ali**, aged 40, was appointed to the Board of the Company in February 2002. He joined Malaysia Mining Corporation Berhad (MMC) as the Special Adviser to the Chairman in September 2001 prior to assuming his current post as the Group Chief Financial Officer (GCFO) in December 2001. Prior to joining MMC, he was the Finance Vice-President of Commerce Dot Com Sdn Bhd (1999-2001), Chief Financial Officer of Pelabuhan Tanjung Pelepas Sdn Bhd (1996-1999), and Finance General Manager of ProLink Development Sdn Bhd (1994-1996). Feizal started his career in accounting and finance in the U.S. Banking Industry (1985-1989) and subsequently worked in the Middle East for five years (1989-1994).

He graduated with a Master's Degree in Business Administration (Finance) - University of Santa Clara, California; Bachelor's Degree in Accounting - Menlo College, California; and Bachelor's Degree in Commerce - University of Kerala.

He is currently a Board member of MMC Engineering Group Berhad.



## COMPOSITION AND TERMS OF REFERENCE

The Audit Committee (“the Committee”) was established to act as a committee of the Board of Directors (“the Board”) to fulfil 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 (Non-Executive Director)
- Mr. Norman Ip Ka Cheung (Non-Executive Director)
- En. Mohamed Jamal Dato’ Mohd Ramli (Non-Executive Director)

### 2. COMPOSITION

The Board shall elect the Committee members from amongst themselves, comprising no fewer than three (3) directors, where the majority shall be independent directors. In this respect, the Board adopts the definition of “independent director” under the Kuala Lumpur Stock Exchange (“KLSE”) Listing Requirement. At least one member of the Committee shall be:

- a) a member of the Malaysian Institute of Accountants (“MIA”); or
- b) if he is not a member of MIA, he must have at least 3 years of working experience and;
  - i. he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  - ii. he must be a member of the associations of the accountants specified in Part II of the Accountants Act 1967.

If a member of the Committee resigns, dies or for any reason ceased 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 the 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 Audit Committee.

### 3. MEETINGS

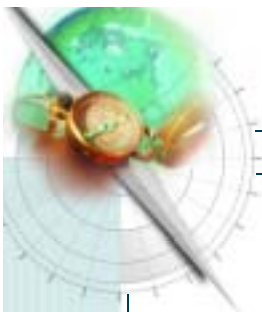
Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of members present must be independent 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 week prior to each meeting to the 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 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 members. In addition, Management, the internal auditor and external auditors may request for a private session with the Committee to discuss any matter of concern.



### COMPOSITION AND TERMS OF REFERENCE cont'd

#### 4. AUTHORITY

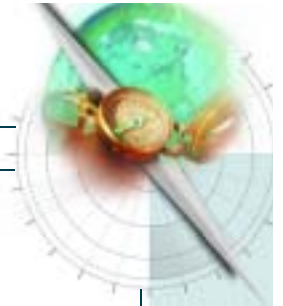
The committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and employees are directed to cooperate with any request made by the Committee. The Committee can obtain, at the expense of the Company, 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 of Directors has not been satisfactorily resolved resulting in a breach of the KLSE Listing requirements, the Committee shall promptly report such matter to the KLSE.

#### 5. RESPONSIBILITIES AND DUTIES

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

- a) Review the Audit Committee's Terms of Reference at least annually, as conditions dictate;
- b) Review with the external auditors, the audit scope and plan, including any changes to the planned scope of the audit plan.
- c) Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.;
- d) Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management, for major deficiencies in controls or procedures that have been identified;
- e) Review major audit findings and the management's response during the year with management, external auditors and internal auditor, including the status of previous audit recommendations;
- f) Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information;
- g) Review the appointment and performance of the external auditors, the audit fee and any questions of dismissal before making recommendations to the Board;
- h) Review the Internal audit Charter, budget and staffing of the Internal Audit Department;
- i) Review the adequacy and effectiveness of internal control systems, including the management information system, and the internal auditor's and/or external auditors' evaluation of the said systems;
- j) Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- k) Review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
  - i. changes in or implementation of major accounting policy changes;
  - ii. significant or unusual events; and
  - iii. compliance with accounting standards and other legal requirements;
- l) Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, KLSE Listing Requirements and other legislative and reporting requirements;
- m) 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 questions of management integrity;
- n) Prepare reports, at least once a year, to the Board summarising the work performed in fulfilling the Audit Committee's primary responsibilities; and
- o) Any other activities, as authorised by the Board.



Jeneral (B) Tun Ibrahim bin Datuk Ismail  
(Chairman)

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Malaysia Smelting Corporation Berhad and its subsidiaries for the year ended 31st December, 2001.

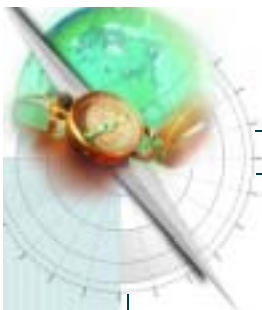
2001 marked a significant milestone year for MSC, not only because it achieved another set of impressive operating and financial results, but also because the Company, in the second half of the year, decided to embark on a strategic long term expansion programme in an upstream tin mining business through the acquisition of a 75% interest in PT Koba Tin in Indonesia which was completed on 9th April 2002. The expansion into an upstream tin mining business will transform the Company and its newly acquired subsidiary and associate into an integrated world-class tin mining, smelting, tin products manufacturing and marketing Group delivering sustainable shareholder value. In the downstream business the Company has already expanded into the production and marketing of tin-based industrial minerals for the global electronics industries through its 40% associated company, Redring Solder (Malaysia) Sdn Bhd ("Redring").

In 2001, the Group achieved record earnings. Profit before taxation increased by 22.6% to RM 33.694 million giving an average pre-tax return of 22.3% on its shareholders' funds. Group profit after tax increased to RM23.296 million from RM19.328 million recorded in the year 2000. The earnings per share was 31.1 sen (2000: 25.8 sen).

The financial position of the Group had also strengthened further with shareholders' funds increasing from RM144.5 million to RM157.0 million at the end of 2001. Included in the results was the Company's share of pre-tax profit, which amounted to RM0.626 million, from Redring, for the year ended December 31, 2001. Redring's overall performance during the year was affected by the downturn of the global electronics industry.

The improved earnings were primarily attributable to the increase in the volume of feed materials smelted, the improvement in operational efficiencies and the significant contribution from the processing and sales of tantalum bearing tin slag. The Company's global





## CHAIRMAN'S STATEMENT *cont'd*

commercial networks provided the sources for tantalum bearing tin concentrates and the market for the end products.

During the year, the smelting and refining facilities were fully utilized. The total intake of tin concentrates and tin-bearing materials were 52,740 tonnes and the Company produced 30,418 tonnes of refined tin metal and tin products during the year, an increase of 16 % from 26,182 tonnes produced in 2000.

The impressive performance was achieved in an extremely difficult environment for the global tin industry due to the sharp fall in tin prices and weak demand for tin metal. In line with the improved results, the Board is pleased to recommend to the shareholders a higher rate for the final dividend of 12 sen per share less 28% tax for the year ended December 31, 2001. This, subject to the approval of shareholders, will be payable on June 10, 2002. Together with the interim dividend of 8 sen per share less 28% tax paid on October 8, 2001, the total dividend paid and proposed for the year is 20 sen per share less 28% tax (2000:18 sen per share less 28% tax).

The Board is optimistic on the long term earning prospects of the Group. While there are some positive indicators suggesting that the world economy may be bottoming out and that a moderate revival of growth particularly in the United States and Europe could be expected in the year 2002, the weak global economic environment and excess manufacturing inventories in the year 2001 have resulted in lower consumption for tin metal and associated by-products arising from smelting operations. This has adversely affected the tin metal prices as well as output of tin concentrates. Under these circumstances, the Company will continue to make the necessary adjustments in its commercial and operating strategies so as to maintain a reasonable level of profitability for the year 2002.

### **Acknowledgement**

On behalf of the Board of Directors, I would like to record my sincere appreciation and gratitude to the former Chairman and Director of MSC, Tan Sri Ibrahim Menudin who resigned from the Board on October 31, 2001 and also to Dato' Mohd Desa Pachi and Datuk Ab Sukor Shahar who resigned as directors of MSC on September 1, 2001 and January 24, 2002 respectively, for their invaluable contributions to the Company.

On behalf of the Board, I would also like to welcome Dato' Syed Abdul Jabbar Syed Hassan and Encik Ayyaril Karikulath Feizal Ali who both joined the Board on February 28, 2002 and Encik Mohamed Jamal Dato' Mohd Ramli who joined the Board on March 26, 2002. As Chairman of MSC, I am deeply honoured by the confidence of my fellow members of the Board in affording me the opportunity to carry on the responsibilities at the helm of the MSC Group beginning December 10, 2001. In my capacity as Chairman, I shall be pleased to lend my support and guidance wherever possible towards the betterment of the Group.

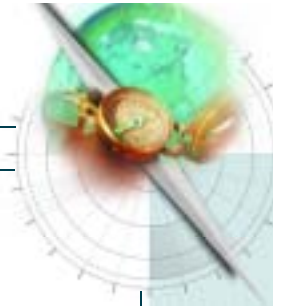
On behalf of the members of the Board, I would like to take this opportunity to thank the shareholders for their continued support and the management as well as the employees for their contribution, commitment, dedication and perseverance towards the success of the Group. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates and the various relevant authorities for their cooperation and continued support. Finally, I would also like to record my appreciation to my colleagues on the Board for their invaluable contribution and support throughout the year.

**Jeneral (B) Tun Ibrahim bin Datuk Ismail**

*Chairman*

April 12, 2002





**Dato' Mohd Ajib Anuar**  
Chief Executive Officer/Executive Director

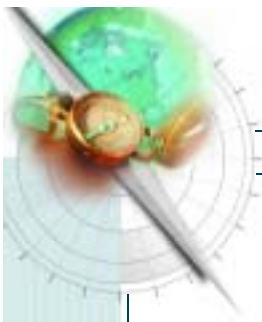
### **The Global Tin Industry**

The global tin industry went through a tumultuous year as the combination of the downturn in the U.S. economy and the electronics industry and September 11 terrorists' attacks exerted a significant but negative impact on industries worldwide including base metals. Almost all economies, ranging from the developed to third world nations experienced reduced or negative growth rates. Base metals' prices declined across the board and tin prices hit historical lows at the London Metal Exchange (LME) during the year.

Demand for tin was particularly affected by the downturn in the electronics industry. The consumption of tin-in-solder fell as electronics companies struggled with low demand and implemented draconian policies of layoffs, plant closures and inventory run down. Published figures indicated a severe decline of more than 7.0% in overall tin consumption from last year. While the potential for increase in tin demand still remains, particularly arising from new applications like lead-free solder and rapid consumption growth in China, the events of 2001 will serve to delay growth in these areas for tin.

On the supply side, the industry responded to the weak price levels in 2001 with production cuts and limited mines closures. However, many high and medium cost tin producers, despite facing losses and struggling to cover cash cost, continued to operate as they remained hopeful for a price recovery. Overall, published figures for production of tin-in-concentrates registered a decline of 3.8% from last year. The significant decline in Chinese production was partly offset by the increase in production from the proliferation of small-scale miners in Indonesia. The closure of a major mine in Nandan (Guangxi Province) due to a mining disaster and the eventual clampdown of illegal small-scale miners in the province have brought overall Chinese production down by almost 20 %. Lower tin prices have also affected some non-major higher cost tin mining operations in China, Russia, Bolivia, Thailand, Malaysia and Africa. At price levels of below US\$4,000 per tonne, an estimated 50% of the world's tin production will be incurring operating losses and any further prolongation of current depressed price level is expected to exert a heavy toll on the high to medium cost producers in 2002.





In Malaysia, tin-in-concentrates production declined significantly by 22.4% to 4,972 tonnes. The low tin prices severely affected the Gravel Pump sector, closing down some higher cost operations and compelling to focus on higher-grade grounds to meet cost. The number of operating units in Malaysia, excluding among retreatment plants, declined from 38 to 36 units at the end of 2001. The overall level of production would have been much lower if not for the Amang Retreatment sector, which registered an increase in production. Domestic intake of tin concentrates accounted for 13.2% of the Company's total intake of feed materials for 2001, a decline of almost 9% when compared to the previous year.

At the London Metal Exchange (LME), tin prices declined significantly and breached the post-1985 Tin Crash LME cash low of USD\$4,310 per tonne seen in September 1993 with a historical low of USD\$3,605 posted in September 2001. LME 3 months' average price declined significantly by 17.2 % from an average of USD\$ 5,461 per tonne in 2000 to USD\$4,520 per tonne in 2001. The LME 3 months' price closed at USD\$3,955 per tonne with a total warehouse stock of 27,485 tonnes. The LME warehouse stock is expected to increase further following the coming on-stream of its warehousing facilities in Singapore in January 2002 as tin producers in the region, particularly China, are expected to move significant tin stocks to the newly authorized LME warehouses in Singapore.

At the Kuala Lumpur Tin Market (KLTM), total turnover for 2001 increased by 5,612 tonnes to 21,584 tonnes. During the year, KLTM underwent two major changes successfully i.e. the implementation of a US Dollar quotation (with the RM equivalent quoted alongside) and the electronic trading system. The latter replaces the open outcry system that had been in operation since the inception of the market in 1986.

In spite of the tumultuous events that engulfed 2001, MSC continued to perform well. Despite the 17% decline in average tin price, Group turnover increased slightly by 1.3% to RM582,646 million due to the higher volume of production and physical trading of tin metal transacted during 2001.

### **Growth Strategy**

MSC continued to focus its growth strategy on its core business lines from within and through acquisitions where its core expertise, skills and capabilities can add value and make a difference particularly in operating efficiencies, products and services, global commercial networking or in new technological developments. The acquisition of a 75% interest in PT Koba Tin will provide long-term sustainable growth for the MSC group. The acquisition will offer significant synergies and strategic fit in optimizing MSC's sourcing strategy and in aligning the two companies' marketing strategies in the global market place. In addition, PT Koba Tin's core expertise in geology, mining, mineral processing, smelting and resource management will be further developed to achieve efficiency improvements and significant cost reductions to position the Group as one of the world's lowest cost producers of tin metal and tin-based products. With the anticipated combined total production in excess of 35,000 tonnes per year the MSC Group would become a leading global producer of tin metal and tin-based products contributing about 15% to the world production.

In addition to the organic growth initiatives to be undertaken following the acquisition of Koba Tin, the MSC Group will continue to search for acquisition targets aimed at broadening the scope of the Group's core businesses and further strengthening its global leadership position in both upstream and downstream sectors of the world tin industry.

**Dato' Mohd Ajib Anuar**

*Chief Executive Officer/Executive Director*

April 12, 2002



## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts, namely transparency, accountability as well as corporate performance.

As such, the Board strives to adopt the substance and spirit behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance ("the Code") respectively.

The Board is pleased to provide the following statements, which outline the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

### 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 following headings: Board of Directors, Directors' Remuneration, Shareholders and Accountability and Audit.

#### A. BOARD OF DIRECTORS

##### Board Responsibilities

The Group acknowledges the pivotal role played by the Board of Directors in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including the strategic direction, establishing goals for the management and monitoring the achievement of these goals. Directors from time to time are brought to the location of the smelting plant to have a thorough understanding of its operations.

##### Meetings

The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2001, the Board met on six (6) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, major investments, strategic decisions and the direction of the Group.

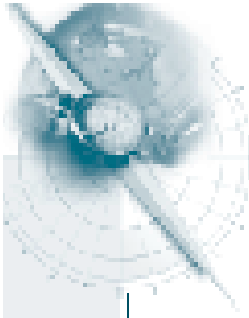
The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. All proceedings from the Board meetings are recorded and the minutes thereof signed by the Chairman of the meeting.

Details of the Director's meeting attendances can be found on page 22 of this annual report.

##### Board Committees

The Board of Directors delegates certain responsibilities to the Board Committees, namely a Board Executive Committee and an Audit Committee, in order to enhance business and operational efficiency.

All committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations. The Chairman of the various committees will report to the Board the outcome of the Committee meetings and such reports are incorporated in the minutes of the full Board meeting.



### **Board Balance**

As at the date of this statement, the Board consists of eight (8) members; comprising one (1) Executive Director and the balance Non-Executives Directors. The Directors, with their different backgrounds and specialization, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The brief profile of each Director is presented on pages 9 and 10 of this annual report.

There is a clear division of responsibilities at the head of the Company to ensure a balance of authority and power. The Board of Directors and the Board Executive Committee are led by Jeneral (B) Tun Ibrahim bin Datuk Ismail, a non-executive Chairman while the executive management of the Company is led by Dato' Mohd Ajib Anuar, the Group Chief Executive Officer.

The current Board composition fairly reflects the interests of all shareholders in the Company.

### **Supply of Information**

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director has also unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out his duties to ensure the effective functioning of the Board. The Articles of Association specifies that the removal of the secretary is a matter for the Board as a whole.

Prior to the meetings of the Board and the Board Committees, appropriate documents which include reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, were circulated to all members.

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial reports, prior to releasing them to the Kuala Lumpur Stock Exchange (KLSE).

The Board as a whole will determine, whether as a full board or in their individual capacity, to take independent professional advice where necessary and under appropriate circumstances in furtherance of their duties, at the Group's expense. However, where necessary and under appropriate circumstances, in furtherance of their duties, any director may do so with the prior consent and approval of the Chairman.

### **Directors' training**

The Board as a whole ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfill the duties of a Director appropriately. There is no formal training programme for Directors. However, at the date of this Statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM). The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.



#### **Board Executive Committee**

The Board established a Board Executive Committee to focus on Corporate Governance and the operational performance of the Group.

At the date of this Statement, the committee comprises the following:

- |  |                                    |
|--|------------------------------------|
| Jeneral (B) Tun Ibrahim bin Datuk Ismail<br><i>(Appointed on 10 December 2001)</i> | - Chairman, Non-Executive Director |
| Choi Siew Hong   | - Non-Executive Director           |
| Norman Ip Ka Cheung  | - Non-Executive Director           |
| Ayyaril Karikulath Feizal Ali<br><i>(Appointed on 28 February 2002)</i>            | - Non-Executive Director           |
| Dato' Mohd Ajib Anuar<br><i>(Appointed on 28 February 2002)</i>                    | - Executive Director               |

During the financial year, members of the Committee who have resigned are :

- |                                 |                               |
|---------------------------------|-------------------------------|
| YBhg. Tan Sri Ibrahim Menuhin   | (resigned on 31 October 2001) |
| YBhg. Datuk Ab Sukor bin Shahar | (resigned on 24 January 2002) |

The Board Executive Committee met 6 times during the year, examined the depth of the performance of the business and agreed on recommendations to enhance and improve on operational matters affecting the Group. In addition, the committee will explore and recommend to the Board of Directors new business ventures, expansion and diversification opportunities with the aim of increasing the Group's profit and growth.

#### **Re-election of Directors**

The Articles of Association provide that all the Directors of the Company are subject to retirement and at least one-third of the Board, shall retire by rotation at each Annual General Meeting of the Company. The Directors to retire in each year are the Directors 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.

The Company Secretary will ensure that all the necessary information is obtained, as well as all legal and regulatory obligations are met before the appointments are made.



**B. DIRECTORS' REMUNERATION**

The Company pays its Directors annual fee, which is approved annually by the shareholders.

The Board as a whole determines the remuneration of the Executive Director with the Director concerned abstaining from the decision in respect of his remuneration.

Details of the nature and amount of each major element of the remuneration of Directors of the Company, during the financial year, are as follows:

Category	Fees (RM'000)	Salaries & Other Emoluments (RM'000)
Executive Director	-	409
Non-Executive Directors	120	-

The number of directors whose remuneration fell within the following bands are: -

Range of Remuneration	Executive Director	Non-Executive Director
RM400,000 to RM450,000	1	-
Less than RM50,000	-	7

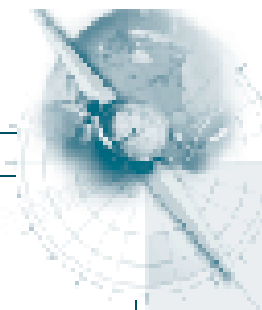
**C. SHAREHOLDERS**

The Company recognizes the importance of communicating with its shareholders and does this through the annual report, Annual General Meetings (AGM) and Extraordinary General Meetings. It has also been the Company's practice to send the Notice of the AGM and related papers to shareholders at least fourteen (14) working days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

In addition, the Company makes various announcements through the KLSE, in particular, the timely release of the quarterly results within two months from the close of a particular quarter. Summaries of the interim and the full year's results and copies of the full announcement are supplied to the shareholders and members of public upon request. Members of the public can also obtain the full financial results and the Company's announcement from the KLSE's website.

**D. ACCOUNTABILITY AND AUDIT****Financial reporting**

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of the results to shareholders, the Chairman's statement and Chief Executive Officer's review of the operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

**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 financial position of the Group and of the Company as at the end of the financial year and of their results and cashflows 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 applied.

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 general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

**State of internal controls**

The Directors recognize their ultimate responsibility for the Group's system of internal controls and the need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. The Board has an Internal Audit function to assist it in reviewing the system of internal controls of the Group. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement, fraud or loss.

Based on the results of the internal audit, the Directors are of the opinion that the system of internal control in place throughout the Group is sufficient to safeguard the Group's interest. Nothing has come to the attention of the Directors to indicate that any material breakdown in the controls has occurred during the year under review.

**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 11 to 12 of the annual report.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee's Report on pages 23 to 24 of the annual report.

**Compliance Statement**

The Group has complied, throughout the financial year ended 31 December 2001, with all the best practices of corporate governance set out in Part 2 of the Code except for the following:

- 1 As at the date of this Statement, there are eight (8) Directors on the Board. According to Best Practice Provision AA III, independent non-executive directors need to make up at least one-third of the membership of the Board. In addition, under Best Practice Provision BB I, the Board should establish an Audit Committee of at least 3 Directors, a majority of whom are independent and that the Chairman of the committee should be an independent non-executive Director. The Directors have taken active steps to seek clarification from the KLSE over the independence status of certain Directors in order to comply with the requirement of the best practices by 30 June 2002, which is the extended deadline for compliance with Paragraph 15.02 of the KLSE Revamped Listing Requirements.
- 2 Appointment of a senior independent non-executive director to whom concerns may be conveyed will be made once the issue on the number of independent directors is resolved.
- 3 A Remuneration Committee was established on 28 February 2002 with specific terms of reference to recommend, amongst others, the remuneration of the Executive Director and Senior Management Staff. Before this, the Board as a whole determined the remuneration of the Directors.

- 4 A Nominating Committee was formed on 28 February 2002 with specific terms of reference, mainly to propose new nominees to the Board and to assess Directors on an on-going basis. There was no review done on the present members of the Board of Directors as the mix of experience and expertise of the current number of Directors are considered sufficient and optimum in addressing the issues affecting the Group.
- 5 The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on matters that involve overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and the review of the financial and operating performance of the Group.
- 6 The Board, together with the Group Chief Executive Officer, has not developed position descriptions for the Board and the Group Chief Executive Officer. This is mainly due to the current set-up of the Board and the various Board Committees that are in place to facilitate the smooth functioning of the Group. Nevertheless, in order to enhance the existing corporate governance practice of the Company, the Board will consider adopting a Board Charter which delineates the role and function of the Board as well as the differing roles of executive Directors and non-executive Directors.
- 7 The Board, through various committees, has been able to identify business risks and ensure the implementation of appropriate measures to manage these risks. Nevertheless, the Board is of the view that a more structured risk management process would need to be established to better identify, monitor and manage the business risks affecting the Group. In view of this, the Board has appointed an external consultant in March 2002 to carry out an Enterprise Risk Management assignment on the Group. This assignment will enable the Board to identify the principal business risks of the Group on a more objective and structured manner so that relevant and appropriate measures can be implemented to manage the risks.

#### MEETINGS

Directors' meeting attendances during 2001 are as follows :-

	Board	Exco	Audit
Jeneral (B) Tun Ibrahim bin Datuk Ismail	4/6	-	-
Mr Choi Siew Hong	6/6	4/6	4/4
Mr Norman Ip Ka Cheung	6/6	5/6	4/4
Dato' Siew Nim Chee	4/6	-	-
Dato' Mohd Ajib Anuar	6/6	-	4/4
Dato' Mohd Desa Pachi (resigned on 1.9.2001)	1/3	-	1/3
Tan Sri Ibrahim Menudin (resigned on 31.10.2001)	5/5	4/5	-
Datuk Ab Sukor bin Shahar (resigned on 24.1.2002)	6/6	6/6	4/4

### Membership

The Directors of the Company who have served as members of the Committee during the year and as at the date of this report are :

Choi Siew Hong	- Chairman, Non-Executive Director
Norman Ip Ka Cheung	- Non-Executive Director
Mohamed Jamal Dato' Mohd Ramli	- Non-Executive Director (Member of the Malaysian Institute of Accountants) (Appointed on 26 March 2002)
YBhg. Dato' Mohd Desa Pachi	(Resigned on 01 September 2001)
YBhg. Datuk Ab Sukor bin Shahar	(Resigned on 24 January 2002)
YBhg. Dato' Mohd Ajib Anuar	(Resigned on 26 March 2002)

### Terms of Reference

The Audit Committee (the "Committee") was established by the Board of Directors on 30 August 1994 with the terms of reference as set out in the Audit Committee's Composition and Terms of Reference on pages 11 to 12 of the Annual Report.

At the date of this report, the terms of reference of the Audit Committee have been revised to conform with the Listing Requirements of the Kuala Lumpur Stock Exchange.

### Meetings

The Audit Committee convened four (4) meetings, which were attended by all the members, during the financial year. The meetings were appropriately structured through the use of agenda and relevant documents including summary of external audit reports distributed to members with sufficient notification.

The Company Secretary was in attendance as Secretary of the Committee in all the meetings. Representatives of the external auditors, Messrs Ernst & Young, the Head of Internal Audit as well as the General Manager of Operations and the Financial Controller also attended the meetings, where appropriate, upon invitation.

### Summary of Activities During The Financial Year

The Audit Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee were as follows:

- Reviewed with the external auditors:
  - (a) Their scope of work and 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 its adequacy and appropriateness;
  - (d) Without the presence of the management, the extent of cooperation 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 Chief Executive Officer, the Financial Controller and other senior management staff the unaudited quarterly financial statements before submission to the Board for consideration and approval for release to the KLSE.



## AUDIT COMMITTEE'S REPORT cont'd

- Reviewed the internal audit department's resources requirements, programmes and plan for the financial year under review and the annual assessment of the internal audit department's performance.
- Reviewed with the internal auditor and senior management staff the findings in the internal audit reports and the corrective actions taken or proposed to be taken by management.
- Considered and recommended to the Board audit fees payable to the external auditors and the reappointment of the external auditors for the Board's submission to the shareholders for approval at the Annual General Meeting.
- Reviewed pertinent issues of the Group which had a significant impact on the results of the Group which included cost rationalization measures and human resource development.

### Internal Audit Function

The internal audit department is independent of the activities or operations of other operating units. The principal role of the department is to undertake regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the internal audit department to provide the Audit Committee with independent and objective 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.





26-30	▶	Report of The Directors
31	▶	Statement By The Directors
31	▶	Statutory Declaration
32	▶	Report of The Auditors
33	▶	Balance Sheets
34	▶	Income Statements
35-36	▶	Statements of Changes In Equity
37-38	▶	Cash Flow Statements
39-51	▶	Notes To The Financial Statements



## 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 year ended 31st December, 2001.

### Principal Activities

The principal activities of the Company are 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. Malaysia Smelting Corporation (Warehousing) Sdn Bhd, a wholly owned subsidiary company provides an authorised warehouse for tin metal under Kuala Lumpur Tin Market and Kuala Lumpur Commodity Exchange warrants. MSC Properties Sdn Bhd, another wholly owned subsidiary company which is still dormant is intended to undertake activities related to property development and investment.

The principal activities of the associated company are the manufacture and sale of solder products.

There has been no significant change in the nature of these activities during the year.

### Financial Results

	Group RM'000	Company RM'000
Profit before taxation	33,694	33,164
Taxation	<u>(10,398)</u>	<u>(10,223)</u>
Profit after taxation attributable to shareholders	23,296	22,941
Retained profits brought forward	<u>56,369</u>	<u>55,388</u>
Profits available for appropriation	79,665	78,329
Dividends -		
Interim : 8 sen per share less 28% tax, paid	(4,320)	(4,320)
Final : 12 sen per share less 28% tax, proposed	<u>(6,480)</u>	<u>(6,480)</u>
Retained profits carried forward	<u>68,865</u>	<u>67,529</u>

### Reserves And Provisions

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

### Dividends

Since the end of the previous financial year, the Company distributed the following dividends :-

- a) a final dividend of 10 sen per RM1.00 ordinary share, less 28% tax, amounting to RM5,400,000 on 16th July, 2001 in respect of the previous financial year; and
- b) an interim dividend of 8 sen per RM1.00 ordinary share, less 28 % tax, amounting to RM4,320,000 on 8th October, 2001 for the year ended 31st December, 2001.

The Directors recommend the payment of a final dividend of 12 sen per RM1.00 ordinary share, less 28% tax amounting to RM6,480,000. This, subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company, will be payable on 10th June, 2002 to members registered on the Company's register at the close of business at 5.00 p.m. 30th May, 2002.

### Directors

The Directors of the Company who have held office since the date of the last report and at the date of this report are :-

Jeneral (B) Tun Ibrahim bin Datuk Ismail (Chairman)  
Tan Sri Ibrahim Menudin (Chairman) (*resigned on 31.10.2001*)  
Dato' Mohd Ajib Anuar (Executive Director)  
Choi Siew Hong  
Datuk Ab Sukor bin Shahar (*resigned on 24.01.2002*)  
Norman Ip Ka Cheung  
Dato' Mohd Desa Pachi (*resigned on 01.09.2001*)  
Dato' Siew Nim Chee  
Dato' Syed Abdul Jabbar bin Syed Hassan (*appointed on 28.02.2002*)  
Ayyaril Karikulath Feisal Ali (*appointed on 28.02.2002*)

In accordance with Article 101 of the Articles of Association of the Company, the Director retiring by rotation this year is Dato' Mohd Ajib Anuar and, being eligible offers himself for re-election.

In accordance with Article 106 of the Articles of Association of the Company, Dato' Syed Abdul Jabbar bin Syed Hassan and Ayyaril Karikulath Feisal Ali, retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

Jeneral (B) Tun Ibrahim bin Datuk Ismail, Mr. Choi Siew Hong and Dato' Siew Nim Chee all being over seventy years of age, retire in accordance with Section 129 of the Companies Act, 1965 and offer themselves 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' Interest In Shares

The following Directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act, 1965 an interest in shares of the Company, as stated below :-

	Number of Ordinary Shares of RM1.00 each			
	<u>At 1.1.2001</u>	<u>Acquired</u>	<u>Disposed</u>	<u>At 31.12.2001</u>
Jeneral (B) Tun Ibrahim bin Datuk Ismail	10,000	-	-	10,000
Dato' Mohd Ajib Anuar	250,000	-	-	250,000
Choi Siew Hong	10,000	-	-	10,000
Datuk Ab Sukor bin Shahar (resigned on 24.01.2002)	262,000	-	-	262,000
Norman Ip Ka Cheung	10,000	-	-	10,000

### Directors' Benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments or other benefits received or due and receivable by the Directors shown in the financial statements or the salary of a full-time employee of the Company as disclosed in Note 17 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 the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed by Section 169 (8) of the Companies Act, 1965.

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

### 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.

### Corporate Proposals

The Company had entered into a Share Sale Agreement (SSA) and a Deferred Payment Agreement on 1st November, 2001 to acquire either directly or through a wholly owned subsidiary to be incorporated, a 100% equity interest in an Australian company whose only asset is its 75% interest in a tin mining company in Indonesia for a total purchase consideration of US\$20 million (approximately RM76 million).

This comprises an initial cash consideration of US\$14 million (approximately RM53.2 million) subject to completion adjustments and deferred payments of not more than US\$6.0 million (approximately RM22.8 million) over 3 years based on average annual tin price reaching certain levels. A deposit of US\$0.7 million (approximately RM2.66 million) had been paid to the vendor pursuant to the SSA.

The proposed acquisition is subject to the approvals of the following parties :-

- a) Bank Negara Malaysia for the remittance of funds;
- b) shareholders of the Company at an Extraordinary General Meeting to be convened; and
- c) any other relevant authorities.

The vendor is required to comply with certain obligations as stated in the SSA prior to completion of the proposed acquisition. As at today these obligations have yet to be met.

Subsequent to the year end, the Company received approval from Bank Negara Malaysia for the remittance of funds in relation to the proposed acquisition. However, the Company is still waiting for the approval from the Securities Commission and the Kuala Lumpur Stock Exchange for its circular to shareholders before calling for an Extraordinary General Meeting to seek the approval of shareholders of the Company.

**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 :-
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts but that adequate allowance had been made for doubtful debts; and
  - (ii) 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 realize.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render :-
  - (i) it necessary to write off any debts or to make an allowance for doubtful debts in the financial statements;
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements of the Group and of the Company 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 persons; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.



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## REPORT OF THE DIRECTORS *cont'd*

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- (f) In the opinion of the Directors :-
- (i) no contingent liability 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 or of the Company to meet its obligations when they fall due;
  - (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 other than the capital commitments as disclosed in Note 22 to the financial statements; and
  - (iii) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

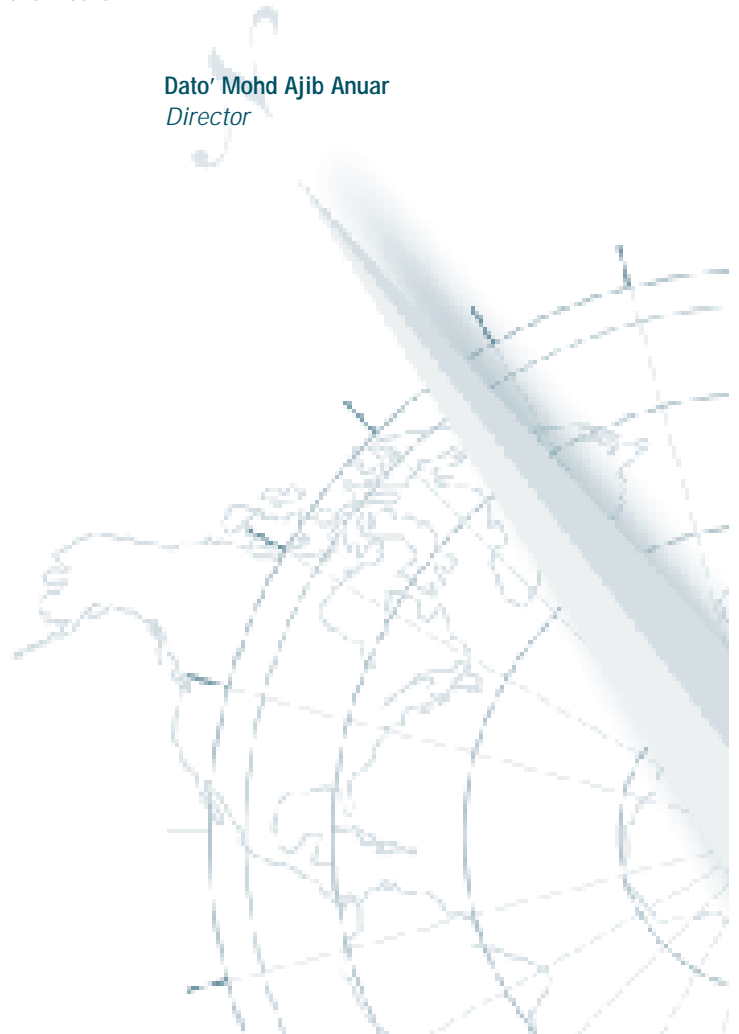
### **Auditors**

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.

*On behalf of the Board*

**Jeneral (B) Tun Ibrahim bin Datuk Ismail**  
*Director*  
Kuala Lumpur,  
28th February, 2002

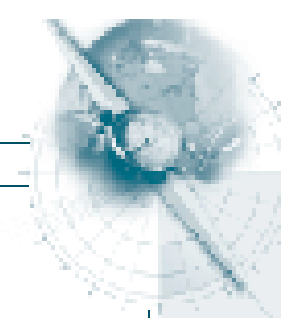
**Dato' Mohd Ajib Anuar**  
*Director*



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## STATEMENT BY THE DIRECTORS

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We, Jeneral (B) Tun Ibrahim bin Datuk Ismail and Dato' Mohd Ajib Anuar, being two of the Directors of Malaysia Smelting Corporation Berhad state that in the opinion of the Directors, the financial statements set out on pages 33 to 51 are drawn up in accordance with applicable approved accounting 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 31st December, 2001 and of the results of the business of the Group and of the Company for the year ended on that date;
- (ii) the cash flows of the Group and of the Company for the year ended 31st December, 2001.

*On behalf of the Board*

**Jeneral (B) Tun Ibrahim bin Datuk Ismail**  
*Director*  
Kuala Lumpur,  
28th February, 2002

**Dato' Mohd Ajib Anuar**  
*Director*

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## STATUTORY DECLARATION

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I, Yap Fook Ping, being the person primarily responsible for the financial management of Malaysia Smelting Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 51 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 Butterworth ]  
in the State of Penang on 28th February, 2002 ] **Yap Fook Ping**

Before me,

Md Nazan bin Yusuf  
P 064  
Commissioner for Oaths  
Butterworth

## REPORT OF THE AUDITORS TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

We have audited the financial statements set out on pages 33 to 51. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain 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 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting 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 31st December, 2001 and of the results and 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 of the Group and of the Company.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 Companies Act, 1965.

**ERNST & YOUNG AF: 0039**  
*Chartered Accountants*

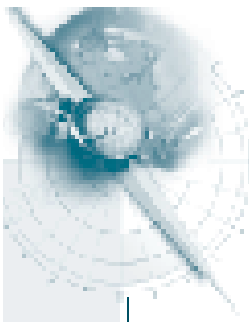
**Dato' Nordin Baharuddin 837/03/02 (J)**  
*Partner*  
Kuala Lumpur,  
28th February, 2002

## BALANCE SHEETS AS AT 31ST DECEMBER, 2001



	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3	63,040	36,271	63,040	36,271
<b>BASE INVENTORY</b>	4	3,000	3,000	3,000	3,000
<b>SUBSIDIARY COMPANIES</b>	5	-	-	-	-
<b>ASSOCIATED COMPANY</b>	6	13,445	13,087	10,473	10,473
<b>INVESTMENT</b>	7	-	-	-	-
<b>CURRENT ASSETS</b>					
Inventories	8	51,920	43,959	51,920	43,959
Receivables	9	38,728	36,571	38,728	36,571
Amount due from a subsidiary company	5	-	-	18	17
Cash, bank balances and deposits	10	60,116	60,345	60,116	60,345
		<b>150,764</b>	<b>140,875</b>	<b>150,782</b>	<b>140,892</b>
<b>CURRENT LIABILITIES</b>					
Payables	11	24,539	18,828	24,536	18,826
Amount due to a subsidiary company	5	-	-	91	92
Amount due to an associated company	6	1,000	1,000	1,000	1,000
Bank borrowings, unsecured	12	35,495	20,744	35,495	20,744
Taxation		4,221	1,283	4,221	1,283
Proposed dividend		6,480	5,400	6,480	5,400
		<b>71,735</b>	<b>47,255</b>	<b>71,823</b>	<b>47,345</b>
<b>NET CURRENT ASSETS</b>		<b>79,029</b>	<b>93,620</b>	<b>78,959</b>	<b>93,547</b>
		<b>158,514</b>	<b>145,978</b>	<b>155,472</b>	<b>143,291</b>
<b>DEFERRED LIABILITY</b>					
Deferred taxation	13	(1,475)	(1,435)	(1,475)	(1,435)
		<b>157,039</b>	<b>144,543</b>	<b>153,997</b>	<b>141,856</b>
Financed by :-					
<b>SHARE CAPITAL</b>	14	75,000	75,000	75,000	75,000
<b>RESERVES</b>	15	82,039	69,543	78,997	66,856
		<b>157,039</b>	<b>144,543</b>	<b>153,997</b>	<b>141,856</b>

The annexed notes form an integral part of these financial statements.



## INCOME STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue	16	<u>582,647</u>	<u>575,023</u>	<u>582,646</u>	<u>575,022</u>
Profit from operations	16	<u>34,508</u>	<u>27,628</u>	<u>34,604</u>	<u>27,646</u>
Finance cost		<u>(1,440)</u>	<u>(1,427)</u>	<u>(1,440)</u>	<u>(1,427)</u>
Share of profit of an associated company		<u>626</u>	<u>1,282</u>	<u>-</u>	<u>-</u>
Profit before taxation	17	<u>33,694</u>	<u>27,483</u>	<u>33,164</u>	<u>26,219</u>
Taxation	18	<u>(10,398)</u>	<u>(8,155)</u>	<u>(10,223)</u>	<u>(7,781)</u>
Profit after taxation attributable to shareholders		<u>23,296</u>	<u>19,328</u>	<u>22,941</u>	<u>18,438</u>
Earnings per share :- Basic	19	<u>31.1 sen</u>	<u>25.8 sen</u>		
Dividend per share - Interim of 8 sen (2000 - 8 sen) less tax at 28%		<u>5.8 sen</u>	<u>5.8 sen</u>	<u>5.8 sen</u>	<u>5.8 sen</u>
- Proposed final of 12 sen (2000 - 10 sen) less tax at 28%		<u>8.6 sen</u>	<u>7.2 sen</u>	<u>8.6 sen</u>	<u>7.2 sen</u>



**STATEMENTS OF CHANGES IN EQUITY** FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Share Capital RM'000	← Non-distributable → Capital Reserve RM'000	Revaluation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
<b>GROUP</b>					
At 1st January, 2000	75,000	-	11,468	46,761	133,229
Profit after taxation for the year	-	-	-	19,328	19,328
Dividends : - Interim :- 8 sen per share, less 28% tax, paid	-	-	-	(4,320)	(4,320)
Final :- 10 sen per share, less 28% tax, proposed	-	-	-	(5,400)	(5,400)
Share of post acquisition capital reserve of an associated company	-	1,706	-	-	1,706
At 31st December, 2000	75,000	1,706	11,468	56,369	144,543
At 1st January, 2001	75,000	1,706	11,468	56,369	144,543
Profit after taxation for the year	-	-	-	23,296	23,296
Dividends : - Interim :- 8 sen per share, less 28% tax, paid	-	-	-	(4,320)	(4,320)
Final :- 12 sen per share, less 28 % tax, proposed	-	-	-	(6,480)	(6,480)
At 31st December, 2001	75,000	1,706	11,468	68,865	157,039

The annexed notes form an integral part of these financial statements.



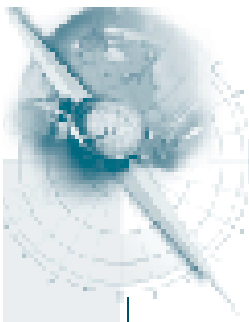
## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2001 cont'd

	← Non-distributable →		Distributable	
	Share Capital RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total RM'000
<b>COMPANY</b>				
At 1st January, 2000	75,000	11,468	46,670	133,138
Profit after taxation for the year	-	-	18,438	18,438
Dividends : -				
Interim :-				
8 sen per share, less 28% tax, paid	-	-	(4,320)	(4,320)
Final :-				
10 sen per share, less 28% tax, proposed	-	-	(5,400)	(5,400)
At 31st December, 2000	<u>75,000</u>	<u>11,468</u>	<u>55,388</u>	<u>141,856</u>
At 1st January, 2001	75,000	11,468	55,388	141,856
Profit after taxation for the year	-	-	22,941	22,941
Dividends : -				
Interim :-				
8 sen per share, less 28% tax, paid	-	-	(4,320)	(4,320)
Final :-				
12 sen per share, less 28% tax, proposed	-	-	(6,480)	(6,480)
At 31st December, 2001	<u>75,000</u>	<u>11,468</u>	<u>67,529</u>	<u>153,997</u>

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>Cash Flows From Operating Activities</b>					
Profit before taxation		33,694	27,483	33,164	26,219
Adjustments for :-					
Deferred expenditure written off		-	16	-	-
Depreciation		2,946	3,082	2,946	3,082
Dividend income		-	-	(93)	-
Gain on disposal of property, plant and equipment		(2)	(95)	(2)	(95)
Interest income		(3,193)	(2,026)	(3,193)	(2,026)
Interest expense		1,425	1,427	1,425	1,427
Property, plant and equipment written off		40	-	40	-
Specific allowances for doubtful debts		93	-	93	-
Share of associated company's profit		(626)	(1,282)	-	-
Operating profit before working capital changes		<u>34,377</u>	<u>28,605</u>	<u>34,380</u>	<u>28,607</u>
(Increase)/Decrease in inventories		(7,961)	28,870	(7,961)	28,870
Increase in receivables		(2,017)	(10,014)	(2,017)	(10,014)
Increase in amount due to an associated company		-	1,000	-	1,000
Increase/(Decrease) in payables		5,759	(7,870)	5,759	(7,870)
Increase in amount due from a subsidiary company		-	-	(2)	(1)
Decrease in amount due to a subsidiary company		-	-	(1)	(1)
Cash generated from operations		<u>30,158</u>	<u>40,591</u>	<u>30,158</u>	<u>40,591</u>
Interest paid		(1,473)	(1,415)	(1,473)	(1,415)
Income tax paid		(7,245)	(6,727)	(7,245)	(6,727)
<b>Net Cash From Operating Activities</b>		<u><b>21,440</b></u>	<u><b>32,449</b></u>	<u><b>21,440</b></u>	<u><b>32,449</b></u>
<b>Cash Flows From Investing Activities</b>					
Dividend received from an associated company		93	-	93	-
Interest received		2,960	1,970	2,960	1,970
Investment in an associated company		-	(10,473)	-	(10,473)
Purchase of property, plant & equipment		(29,756)	(2,252)	(29,756)	(2,252)
Proceeds from disposal of property, plant & equipment		3	183	3	183
<b>Net Cash Used In Investing Activities</b>		<u><b>(26,700)</b></u>	<u><b>(10,572)</b></u>	<u><b>(26,700)</b></u>	<u><b>(10,572)</b></u>
Balance carried forward		(5,260)	21,877	(5,260)	21,877

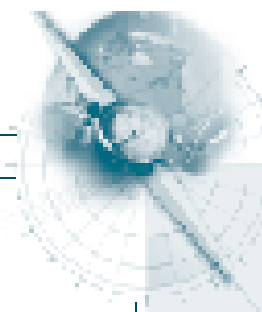
The annexed notes form an integral part of these financial statements.



## CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2001 cont'd

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Balance brought forward		(5,260)	21,877	(5,260)	21,877
Cash Flows From Financing Activities					
Borrowing from/(Repayment of) short term trade financing		14,751	(5,634)	14,751	(5,634)
Dividends paid		(9,720)	(11,820)	(9,720)	(11,820)
Net Cash From/(Used in) Financing Activities		<u>5,031</u>	<u>(17,454)</u>	<u>5,031</u>	<u>(17,454)</u>
Net (Decrease)/Increase In Cash And Cash Equivalents		(229)	4,423	(229)	4,423
Cash And Cash Equivalents At 1st January		<u>60,345</u>	<u>55,922</u>	<u>60,345</u>	<u>55,922</u>
Cash And Cash Equivalents At 31st December		<u>60,116</u>	<u>60,345</u>	<u>60,116</u>	<u>60,345</u>
Cash and Cash Equivalents At 31st December					
Cash, bank balances and deposits	10	<u>60,116</u>	<u>60,345</u>	<u>60,116</u>	<u>60,345</u>

The annexed notes form an integral part of these financial statements.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Preparation**

The financial statements of the Group and of the Company have been prepared under the historical cost convention, modified by the revaluation of certain property, plant and equipment unless otherwise indicated in this summary of significant accounting policies.

The financial statements of the Group and of the Company comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Companies Act, 1965.

**b. Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. The results of the subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the date of their acquisition or up to the date of their disposal. Intra-group transactions and resulting unrealised profits or losses are eliminated fully on consolidation and the consolidated financial statements reflect external transactions only.

The difference between the cost of acquisition of the subsidiary companies and the net tangible assets at the date of acquisition is dealt with in the consolidated balance sheet as reserve or goodwill on consolidation. Goodwill is amortised over their expected useful economic lives, not exceeding 20 years.

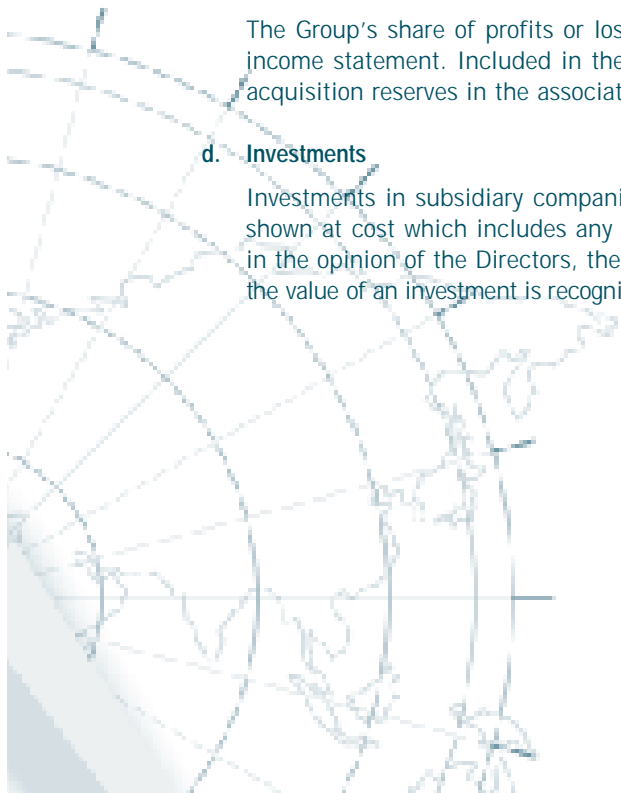
**c. Associated Company**

The Group treats as associated company, a company in which a long term equity interest of between 20% and 50% is held and where it is in a position to exercise significant influence over the financial and operating policies.

The Group's share of profits or losses of the associated company is included in the consolidated income statement. Included in the Group's balance sheet, is the Group's cost and share of post-acquisition reserves in the associated company.

**d. Investments**

Investments in subsidiary companies, associated company and other non current investments are shown at cost which includes any incidental costs of acquisition. Allowances is only made where, in the opinion of the Directors, there is a permanent diminution in value. Permanent diminution in the value of an investment is recognised as an expense in the year in which the diminution is identified.



**e. Property, Plant and Equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and amortisation and impairment losses foreseeable, if any. Certain land and buildings of the group and of the Company were revalued in 1998 based on an independent valuation carried out by a firm of professional valuers using the present use basis.

Freehold land is not depreciated. Leasehold land is amortised over the unexpired periods of the leases. Buildings are depreciated on a straight line basis over 40 years or the unexpired lease period whichever is shorter.

Depreciation of other property, plant and equipment are on the straight line basis to write off their cost or valuation over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are :-

Plant, equipment and vehicles	5 to 40 years
Furniture	5 to 10 years

Revaluation of land and buildings is undertaken every 5 years. Surplus arising from revaluation is credited directly to revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is charged to the income statement.

**f. 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 financial statements at conservative net realisable value which is lower than cost. In view of the long term nature of the inventory, it is not intended to adjust the figure for short-term price fluctuations.

**g. Inventories**

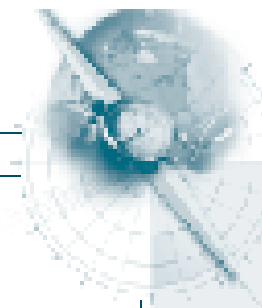
Inventories are valued at the lower of cost and net realisable value.

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

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

**h. Receivables**

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.



**i. Currency Translation**

Foreign currency transactions are recorded in Ringgit Malaysia at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement in the year in which they arise.

The closing exchange rate of the foreign currency used as at year end is as follows :-

	<b>2001</b>	<b>2000</b>
1 US Dollar	<b>RM 3.8</b>	<b>RM 3.8</b>

**j. Revenue Recognition**

Sales are recognised upon delivery or transfer of ownership of products or performance of services. Dividend income from investments is included in the income statement when the right to receive payment has been established. Interest income is recognised on an accrual basis.

**k. Deferred Taxation**

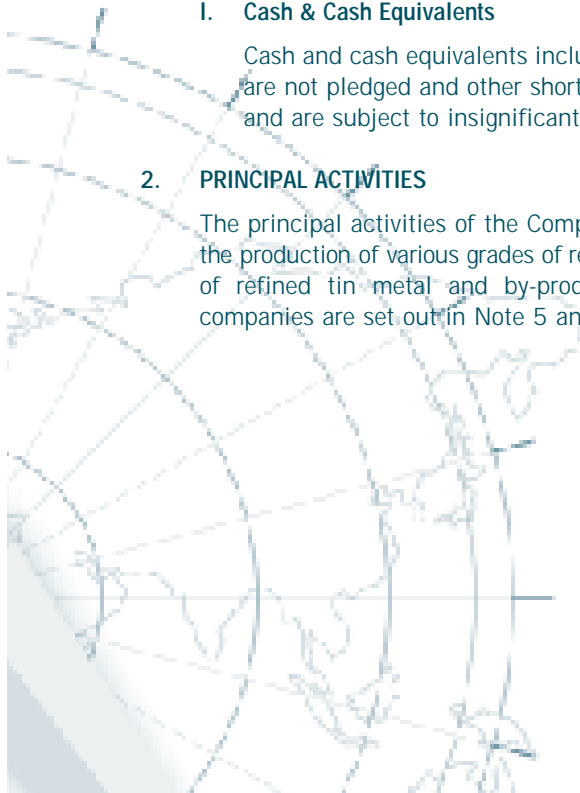
Deferred taxation is provided using the liability method for all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

**l. Cash & Cash Equivalents**

Cash and cash equivalents include cash and bank balances (net of bank overdrafts), deposits which are not pledged and other short term, highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value.

**2. PRINCIPAL ACTIVITIES**

The principal activities of the Company are 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 subsidiary and associated companies are set out in Note 5 and 6 to the financial statements respectively.



3. PROPERTY, PLANT AND EQUIPMENT

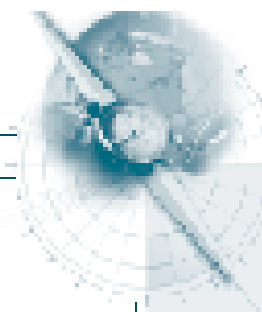
<i>Group/Company</i>	Freehold land RM'000	Short Leasehold land RM'000	Buildings RM'000	Plant, equipment, vehicles & furniture RM'000	2001 Total RM'000	2000 Total RM'000
<b>2001</b>						
<b>Cost or Valuation</b>						
At 1st January	18,207	667	12,570	34,121	65,565	63,934
Additions	23,841	-	4,696	1,219	29,756	2,252
Disposals	-	-	(384)	(55)	(439)	(621)
At 31st December	42,048	667	16,882	35,285	94,882	65,565
Representing :-						
Cost	23,841	-	4,696	35,285	63,822	35,087
Valuation 1998	18,207	667	12,186	-	31,060	30,478
	42,048	667	16,882	35,285	94,882	65,565
<b>Accumulated Depreciation</b>						
At 1st January	-	60	2,877	26,357	29,294	26,745
Charge for the year	-	29	1,513	1,404	2,946	3,082
Disposals	-	-	(345)	(53)	(398)	(533)
At 31st December	-	89	4,045	27,708	31,842	29,294
<b>Net Book Value</b>						
At 31st December, 2001	42,048	578	12,837	7,577	63,040	-
At 31st December, 2000	18,207	607	9,693	7,764	-	36,271
<b>Net Book Value (had the assets been carried at cost less depreciation)</b>						
At 31st December, 2001	31,521	154	8,690	7,577	47,942	-
At 31st December, 2000	7,680	161	4,527	7,764	-	20,132

The short leasehold land comprises leases with a current duration of between 5 to 26 years. Plant, equipment, vehicles and furniture includes capital work-in-progress of RM1,439,000 (2000 : RM533,000).

The land and buildings stated at valuation were revalued by the Directors in December 1998 based on an independent professional valuation on a present use basis.

4. BASE INVENTORY

As stated in Note 1(f), base inventory which comprises a metallic tin content of 381 tonnes is stated in the financial statements 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 RM14.95 per kg as at 31st December, 2001.



5. SUBSIDIARY COMPANIES

	Company	
	2001 RM'000	2000 RM'000
Unquoted shares, at cost	-	-

The subsidiary companies are :-

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Issued &amp; Paid-up Capital</u>	<u>Effective Interest</u>		<u>Principal Activities</u>
			2001	2000	
Malaysia Smelting Corporation (Warehousing) Sdn Bhd	Malaysia	2 shares of RM1 each	100%	100%	Tin Warehousing
MSC Properties Sdn Bhd	Malaysia	2 shares of RM1 each	100%	100%	Dormant

Amounts due to/from subsidiary companies are unsecured, interest-free and have no fixed terms of repayments.

6. ASSOCIATED COMPANY

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unquoted shares, at cost	10,473	10,473	10,473	10,473
Share of reserves since acquisition	2,972	2,614	-	-
	<u>13,445</u>	<u>13,087</u>	<u>10,473</u>	<u>10,473</u>

The Group's investment in the associated company is represented by :-

	Group	
	2001 RM'000	2000 RM'000
Group's share of net tangible assets	10,640	10,282
Premium arising on acquisition	2,805	2,805
	<u>13,445</u>	<u>13,087</u>



The associated company is :-

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Effective Interest</u>		<u>Principal Activities</u>
		2001	2000	
Redring Solder (M) Sdn Bhd	Malaysia	40%	40%	Manufacture and sale of solder products

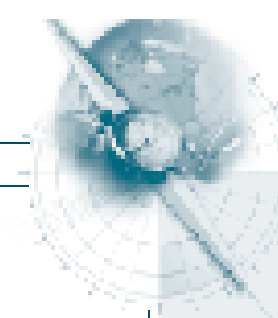
The amount due to an associated company represents a security deposit received for its purchase of refined tin metal. This amount is placed in fixed deposit with licensed banks and earns interest at an average rate of 4.1% (2000 : 4.2%) per annum. The fixed deposit interest earned on the security deposit is payable to the associated company.

#### 7. INVESTMENT

	<u>Group/Company</u>	
	<u>2001</u> RM'000	<u>2000</u> RM'000
Unquoted shares at cost - outside Malaysia	-	3,663
Allowance for diminution in value of investment	-	(3,663)
	<u>-</u>	<u>-</u>

#### 8. INVENTORIES

	<u>Group/Company</u>	
	<u>2001</u> RM'000	<u>2000</u> RM'000
At cost -		
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	44,670	37,420
Other inventories (stores, spares, fuels and by-products)	<u>7,250</u>	<u>6,539</u>
	<u>51,920</u>	<u>43,959</u>



9. RECEIVABLES

	Group/Company	
	2001 RM'000	2000 RM'000
Trade receivables	33,285	35,021
Other receivables, deposits and prepayments	5,536	1,550
	<u>38,821</u>	<u>36,571</u>
Specific allowance for doubtful debts	(93)	-
	<u>38,728</u>	<u>36,571</u>

Included in other receivables, deposits and prepayments are deposit paid and other expenses incurred amounting to approximately RM4,066,000 (2000 : Nil) in respect of the acquisition of 100% equity interest in an Australian company as disclosed in Note 22 to the financial statements.

10. CASH, BANK BALANCES AND DEPOSITS

	Group/Company	
	2001 RM'000	2000 RM'000
Deposits with licensed banks	47,025	39,364
Deposits with licensed finance companies	8,100	17,590
Cash and bank balances	4,991	3,391
	<u>60,116</u>	<u>60,345</u>

11. PAYABLES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade payables	7,495	7,417	7,495	7,417
Other payables and accruals	16,044	11,411	16,041	11,409
Provision	1,000	-	1,000	-
	<u>24,539</u>	<u>18,828</u>	<u>24,536</u>	<u>18,826</u>

12. BANK BORROWINGS, UNSECURED

	Group/Company	
	2001 RM'000	2000 RM'000
Short term trade financing	35,495	20,744

The bank borrowings bear interest at rates ranging from 2.20% to 6.80% ( 2000 : 6.08% to 7.25%) per annum.

13. DEFERRED TAXATION

	Group/Company	
	2001 RM'000	2000 RM'000
At 1st January	1,435	1,664
Transfer to/(from) Income Statement (Note 18)	<u>40</u>	<u>(229)</u>
At 31st December	<u>1,475</u>	<u>1,435</u>

The Group and the Company do not have any tax effect on timing differences which will not reverse for some considerable period ahead. The deferred tax effects on revalued assets are not disclosed because the amount involved is not material and the Group and the Company have no intention to dispose of these assets in the foreseeable future.

14. SHARE CAPITAL

	Company			
	2001		2000	
	Number of Shares '000	RM'000	Number of Shares '000	RM'000
Ordinary shares of RM1.00 each Authorised	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>

15. RESERVES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Non-distributable :-				
Surplus on revaluation of land and buildings	11,468	11,468	11,468	11,468
Capital reserve (Note 15.1)	1,706	1,706	-	-
Distributable :-				
Retained profits	<u>68,865</u>	<u>56,369</u>	<u>67,529</u>	<u>55,388</u>
	<u>82,039</u>	<u>69,543</u>	<u>78,997</u>	<u>66,856</u>

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank by way of dividends all of its distributable reserves as at 31st December, 2001.

In addition, the Company also has, tax exempt profit of approximately RM22,400,000 (2000 : RM22,400,000) as at 31st December, 2001 available for distribution.



15.1 CAPITAL RESERVE

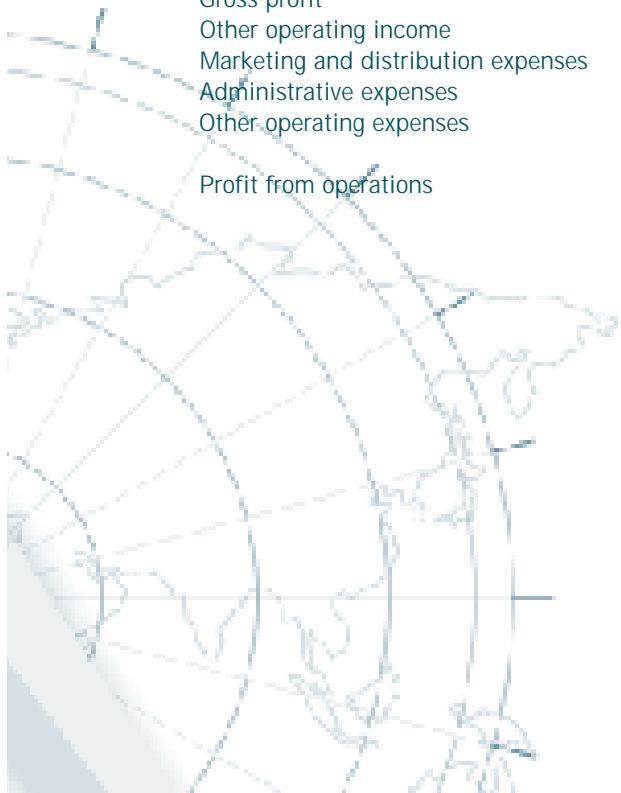
	Group	
	2001 RM'000	2000 RM'000
At 1st January	1,706	-
Share of capital reserve in an associated company	<u>-</u>	<u>1,706</u>
At 31st December	<u>1,706</u>	<u>1,706</u>

The capital reserve represents share of post acquisition share premium of an associated company.

16. PROFIT FROM OPERATIONS

Profit from operations is calculated as follows :-

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Sale of goods	578,499	571,328	578,499	571,328
Tin warehousing and delivery charges	<u>4,148</u>	<u>3,695</u>	<u>4,147</u>	<u>3,694</u>
Revenue	582,647	575,023	582,646	575,022
Cost of goods sold and services provided	<u>(544,873)</u>	<u>(544,375)</u>	<u>(544,873)</u>	<u>(544,375)</u>
Gross profit	37,774	30,648	37,773	30,647
Other operating income	3,272	3,501	3,365	3,501
Marketing and distribution expenses	(2,145)	(2,335)	(2,145)	(2,335)
Administrative expenses	(4,355)	(4,186)	(4,351)	(4,167)
Other operating expenses	<u>(38)</u>	<u>-</u>	<u>(38)</u>	<u>-</u>
Profit from operations	<u>34,508</u>	<u>27,628</u>	<u>34,604</u>	<u>27,646</u>



17. PROFIT BEFORE TAXATION

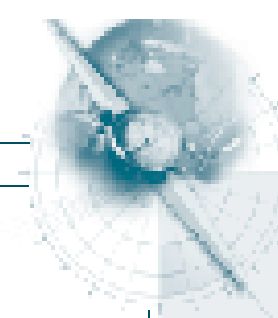
Profit before taxation is stated after charging/(crediting) : -

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Auditors' remuneration	61	61	60	60
Deferred expenditure written off	-	16	-	-
Depreciation	2,946	3,082	2,946	3,082
Directors' remuneration :				
Fees	120	120	120	120
Emoluments	399	374	399	374
Estimated monetary value of benefits-in-kind	10	15	10	15
Hire of equipment and vehicles	59	15	59	15
Interest expense	1,425	1,427	1,425	1,427
Property, plant and equipment written off	40	-	40	-
Rents of land and buildings	208	284	208	284
Specific allowance for doubtful debts	93	-	93	-
Staff costs (excluding Directors' remuneration)	17,263	15,498	17,263	15,498
Bad debts recovered	-	(343)	-	(343)
Tax exempt dividend received from an associated company	-	-	(93)	-
Gain on foreign exchange	(6)	(22)	(6)	(22)
Gain on disposal of property, plant and equipment	(2)	(95)	(2)	(95)
Interest income	(3,193)	(2,026)	(3,193)	(2,026)
Specific allowance for doubtful debts no longer required	-	(767)	-	(767)

The number of employees for the Group and for the Company as at 31st December, 2001 was 584 (2000 : 599).

18. TAXATION

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Profit for the year	(9,882)	(7,923)	(9,882)	(7,923)
Transfer (from)/to deferred taxation (Note 13)	(40)	229	(40)	229
	(9,922)	(7,694)	(9,922)	(7,694)
Under provision in prior years	(301)	(87)	(301)	(87)
	(10,223)	(7,781)	(10,223)	(7,781)
Share of taxation of an associated company	(175)	(374)	-	-
	(10,398)	(8,155)	(10,223)	(7,781)



**19. EARNINGS PER SHARE**

The calculation of basic earnings per share for the year is based on consolidated profit after taxation of RM23,296,000 (2000 : RM19,328,000) for the Group and 75,000,000 (2000 : 75,000,000) shares in issue during the year.

**20. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

	← Group/Company →			
	2001 RM'000	Amount outstanding as at 31/12/2001 RM'000	2000 RM'000	Amount outstanding as at 31/12/2000 RM'000
Sales to an associated company	14,488	84	23,730	-
Share of profit from services provided for the extraction and sales of tin slags on behalf of a substantial shareholder, The Straits Trading Company Limited	<u>1,597</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above arose from normal trade transactions on a negotiated basis.

The related parties which have transactions with the Company/Group during the year are deemed to be related by virtue of :-

- a) Dato' Mohd Ajib Anuar and Norman Ip Ka Cheung being shareholders of the Company and common directors of the Company and the associated company; and
- b) Norman Ip Ka Cheung being the common director and a shareholder of the Company and The Straits Trading Company Limited.

**21. GROUP SEGMENT REPORTING**

There is no disclosure of segmental information as required by International Accounting Standard No. 14 as the Group operates principally within one industry and one country.



22. CAPITAL COMMITMENTS

	Group/Company	
	2001 RM'000	2000 RM'000
Contracted but not provided for :-		
- Property, plant and equipment	358	5,385
- Investment	<u>76,000</u>	<u>-</u>

The Company had entered into a share sale agreement (SSA) and a deferred payment agreement on 1st November, 2001 to acquire either directly or through a wholly owned subsidiary to be incorporated, a 100% equity interest in an Australian company whose only asset is its 75% interest in a tin mining company in Indonesia for a total purchase consideration of US\$20 million (approximately RM76 million). This comprises an initial cash consideration of US\$14 million (approximately RM53.2 million) subject to completion adjustments and deferred payments of not more than US\$6.0 million (approximately RM22.8 million) over 3 years based on average annual tin price reaching certain levels. A deposit of US\$0.7 million (approximately RM2.66 million) had been paid to the vendor pursuant to the SSA.

The proposed acquisition is subject to the approvals of the following parties :-

- a) Bank Negara Malaysia for the remittance of funds;
- b) shareholders of the Company at an Extraordinary General Meeting to be convened; and
- c) any other relevant authorities.

The vendor is required to comply with certain obligations as stated in the SSA prior to completion of the proposed acquisition. As at to date these obligations have yet to be met.

Subsequent to the year end, the company received approval from Bank Negara Malaysia for the remittance of funds in relation to the proposed acquisition. However, the Company is still waiting for the approval from the Securities Commission and the Kuala Lumpur Stock Exchange for its circular to shareholders before calling for an Extraordinary General Meeting to seek the approval of shareholders of the Company.



23 COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current year's presentation : -

	← Group 2000 →		← Company 2000 →	
	As reclassified RM'000	As previously reported RM'000	As reclassified RM'000	As previously reported RM'000
<b>BALANCE SHEET</b>				
SUBSIDIARY COMPANIES	-	-	-	(75)
ASSOCIATED COMPANY	13,087	12,087	10,473	9,473
<b>CURRENT ASSETS</b>				
Amount due from a subsidiary company	-	-	17	-
<b>CURRENT LIABILITIES</b>				
Amount due to a subsidiary company	-	-	92	-
Amount due to an associated company	1,000	-	1,000	-
<b>CASH FLOW STATEMENTS</b>				
Increase in amount due from a subsidiary company	-	-	(1)	-
Decrease in amount due to a subsidiary company	-	-	(1)	-
Decrease in net amount due to subsidiary companies	-	-	-	(2)

NOTES TO THE FINANCIAL STATEMENTS

SUBSIDIARY COMPANIES

Unquoted shares, at cost			-	-
Amount due to a subsidiary company				(92)
Amount due from a subsidiary company				17
				(75)

ASSOCIATED COMPANY

Unquoted shares, at cost	10,473	10,473	10,473	10,473
Share of reserves since acquisition	2,614	2,614	-	-
	13,087	13,087	10,473	10,473
Amount due to an associated company		(1,000)		(1,000)
		12,087		9,473



## LIST OF PROPERTIES

Location	Description	Approximate Area	Tenure	Year of Expiry	Approximate Age of Buildings	Net Book Value at 31-12-01 RM'000	Date of Last revaluation/ acquisition
<b>1. 27 Jalan Pantai 12000 Butterworth</b>							
a) Lot 142-187 and 362	Land with offices and factory buildings	12.5 acres	Freehold	-	1- 48 years	22,538	1998
b) Lot 268	Land with offices and factory buildings	45,575 sq. ft.	Leasehold	2028	1 - 48 years	531	1998
c) Lot 263	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2006	NA	114	1998
<b>2. Lot 1199 Mukim 12, Daerah Seberang Perai Tengah</b>							
	Vacant Land	13.40 acres	Freehold	-	NA	2,900	1998
<b>3. Unit No. B-15-11 Megan Phileo Avenue 12, Jln Yap Kwan Seng 50450 Kuala Lumpur</b>							
	Office premises	4,629 sq. ft.	Freehold	-	2 years	928	2000
<b>4. Taman Desa Palma Alma 14000 Bukit Mertajam</b>							
	80 units of Flats	52,000 sq. ft.	Freehold	-	1 year	4,610	2001
<b>5. Lot 1202, 1203 &amp; 1439, Mukim 12, Daerah Seberang Perai Tengah</b>							
	Vacant Land	81.67 acres	Freehold	-	NA	23,841	2001





## TIN — AN INNOVATIVE INDUSTRIAL METAL

Extensive research and development in tin based technologies in recent years and the increasing awareness of using tin as a green metal alternative in today's environmentally conscious culture have generated a diversity of opportunities for tin in new industrial applications as well as an ideal non-toxic replacement of environmentally harmful elements present in many of today's industrial products.

The technological and commercial development of tin in current and new applications is currently being spearheaded by the highly focused and dynamic UK based **Tin Technology Ltd** ([www.tintechnology.com](http://www.tintechnology.com)). The Company is a membership-based organisation whose members include some of the world's leading tin producers. The business has over 60 years experience in providing research, development and marketing of tin-based products.



*Tin Technology Center in London – focusing on technical and commercial development of tin based technologies*

### TIN GROWTH PROJECTIONS

The current projections of potential tin demand growth by applications provided by Tin Technology are tabulated below.

Applications	2001 (tonnes)	Maximum potential in 5-10 years time (tonnes)
Solders	75,600	100,000
Tinplate	73,000	80,000
Alloys & Alloy Coatings	42,750	60,000
PVC Stabilizers	20,000	25,000
Tinning	13,500	25,000
Glass Industry	7,000	10,000
Catalysts	5,000	7,500
Wine Capsules	5,000	5,000
Lead-Acid batteries	2,000	5,000
Fire Retardants	500	8,000
Ammunition	250	10,000
Wheel Weights	50	5,000
Others	23,210	43,800
<b>TOTAL</b>	<b>267,860</b>	<b>384,300</b>

The following major tin applications where significant R&D and commercial work are ongoing are expected to provide the platform for significant future tin demand growth.

# TIN — AN INNOVATIVE INDUSTRIAL METAL

## MATERIALS TECHNOLOGY

### Tin in Lead Free Solder

The move towards replacing lead by tin in the eutectic solder alloy started years ago and has since gathered momentum with many electronic multinationals announcing limited production of electronic products using lead free solder and projecting a total switch to lead free solder within the first decade of the new millennium.

Legislation to ban lead and other toxic elements in electronic/electrical products has been or is in its various stages of been drafted, debated and implemented. In the European Parliament, the WEEE (Waste Electronics and Electrical Equipment) Directive is in its final stages of debate and certain to be adopted with the ban coming into effect within an appropriate time frame. The adoption will undoubtedly spur similar legislation in other developed economies and compel the electronics industry to take full cognizance of the change.

### Tin in Ammunition

The transformation has already taken place - shotgun pellets is now in full commercial production and tin bullets have been produced in limited quantity for training in firing ranges. Some European countries have already introduced legislation to ban lead shots and leading ammunition companies worldwide are currently studying the technical and commercial feasibility of using alternative metal (including tin) based ammunition to replace lead. Tin Technology is collaborating closely with a company promoting a tin based high-density ammunition where results have shown conclusively that its ballistics performance is superior to those currently available in the market.

### Tin in Wheel Weights

The lead-based wheel weights for balancing purposes is expected to be gradually phased out by most of the major car manufacturers. Tin-based wheel weights is one of the alternatives that car manufacturers are currently evaluating as a viable environmentally friendly replacement. The size of the car industry worldwide will provide significant demand potential for the selected replacement wheel weights.

### Tin in Alloys

Other potential areas include tin alloying additions and bottle closure capsules, the latter has already seen an almost total conversion to tin based capsules in the winery industry.

***Lead free solder products by Redring Solder...  
... for non-toxic soldering in the electronics industry.***



*For traditional safe packaging of food*



*A variety of TRAX tin weights. Plastic coated tin weights are recommended for alloy wheels to minimise electro-chemical corrosion.*





## TIN — AN INNOVATIVE INDUSTRIAL METAL

### COATINGS TECHNOLOGY

#### Electrochemical Plating Systems

The main focus has been in the growing **automotive and aerospace industries** where advance R&D has developed environmentally friendly electroplating systems for tin and its alloys to provide superior corrosion protection and decorative finishes.

Research is also continuing in support of other industrial applications particularly in electroplating development and associated procedures such as passivation and stripping.

#### Tinplate Technology

Although tin based cans is undisputedly the ideal packaging material for food, considerable resource continues to be devoted to this sector by both the tin and steel industries. This is necessary to ensure that tin-plated steel cans maintains and possibly enlarges its market position by being cost competitive and recognizing changing consumer preference by innovative technological and design modifications to the can.

Although tin cans lost its luster when aluminum cans captured the beverage can market, there is a strong growing belief in the industry that the tin-plated cans is poised to make a comeback as the preferred packaging material for consumable. Competitive cost, ideal non-toxic tin coating, increased recyclability and ability to produce lightweight and flexible design & coating modifications to the cans are major factors underpinning the belief.



*Tinplate*

*...ideal non-toxic tin coating increased recyclability and ability to produce lightweight and flexible design & coating modifications*



## TIN — AN INNOVATIVE INDUSTRIAL METAL

### CHEMICALS TECHNOLOGY

Tin chemicals has been regarded as the fastest growing sector of tin usage in recent years as a result of its diverse range of applications and the generally low toxicity of tin based chemicals.

In the forefront, Tin Technology has initiated the development of **tin based flame-retardant synergists (Zinc Hydroxystannate - ZHS and Zinc Stannate - ZS)** and smoke suppressants that is set to replace en-masse the current synergists used in plastics, rubbers and polymeric materials. Tin-based fire retardant has undergone extensive tests and evaluation and is unquestionably the more cost effective, technically superior and non-toxic alternative. With conclusive tests showing lower heat release rates and smoke suppression properties, these new synergists would, in effect, potentially reduce human fatalities during a fire!

Commercial and technical collaboration with major players in the industry has already taken place and tin consumption growth in this sector is expected to take place rapidly.

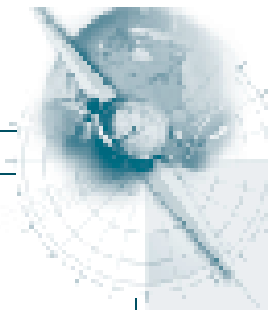
In conclusion, tin versatility and its environmentally friendly properties are making a huge impact in many of today's industrial applications. While it still lags behind in absolute volume to the other base metals, tin is slowly permeating into many industrial applications and may one day become the leading industrial metal.



*R&D at Tin Technology for tin based fire retardants*

*...tin versatility and its environmentally friendly properties are making a huge impact...*

## TIN STATISTICS



### Tin Market Prices

	*KLTM Prices			KLTM Turnover (Tonnes)	LME 3 Months Buying Average US\$ Per Tonne
	Highest	Lowest	Average		
1996	16.24	14.31	15.26	26,083	6,202
1997	21.13	13.52	15.61	25,421	5,670
1998	24.68	17.80	21.24	16,323	5,489
1999	22.33	18.72	20.16	18,599	5,406
2000	22.84	19.42	20.45	15,972	5,461
2001	5,205	3,510	4,424	21,584	4,519
<b>2001</b>					
January	5,205	5,053	5,134	1,351	5,220
February	5,129	5,050	5,092	1,207	5,178
March	5,068	4,917	5,005	1,933	5,098
April	4,961	4,867	4,903	1,433	5,004
May	5,016	4,813	4,912	1,700	4,995
June	4,880	4,604	4,719	1,609	4,804
July	4,527	4,001	4,289	1,540	4,382
August	4,010	3,650	3,812	1,990	3,941
September	3,810	3,510	3,619	2,030	3,729
October	3,728	3,545	3,644	2,557	3,755
November	4,210	3,650	3,935	3,034	4,048
December	4,145	3,926	4,023	1,200	4,077



\*Tin Prices for KLTM for the year 1996 to 2000 are stated in Ringgit per Kg and in USD per tonne for year 2001.

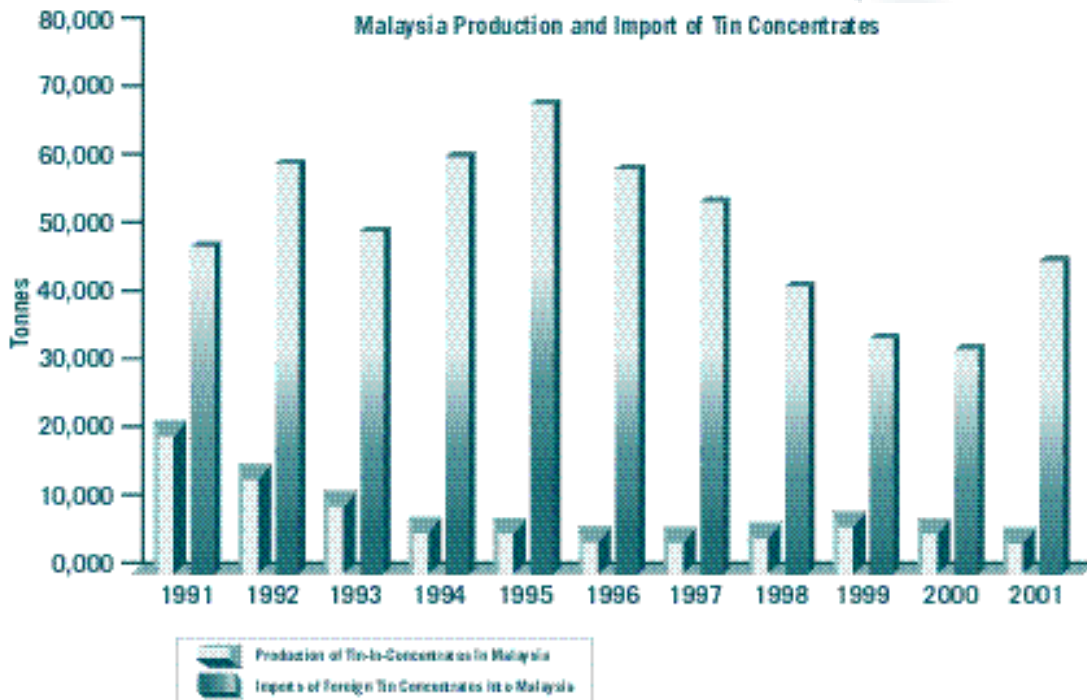


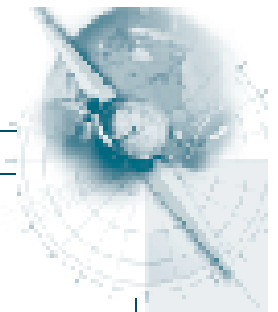
## TIN STATISTICS cont'd

PRODUCTION OF TIN-IN-CONCENTRATES IN MALAYSIA	
Year	Tonnes
1991	20,710
1992	14,339
1993	10,384
1994	6,517
1995	6,403
1996	5,176
1997	5,060
1998	5,764
1999	7,340
2000	6,307
2001	4,972

IMPORTS OF FOREIGN TIN CONCENTRATES INTO MALAYSIA	
Year	Tonnes
1991	46,458
1992	58,638
1993	48,702
1994	59,539
1995	67,346
1996	57,762
1997	52,954
1998	40,547*
1999	32,955
2000	31,297
2001	44,410

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





**Deliveries Of Refined Tin From Penang**  
(Tonnes Refined Tin by reported destination)

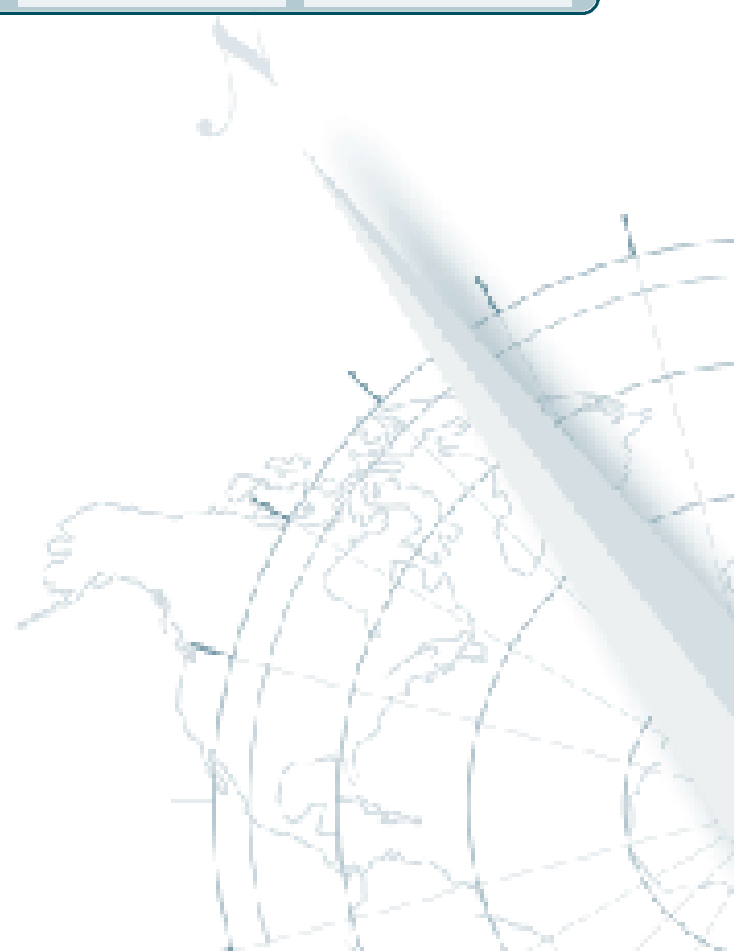
Destination	1997	1998	1999	2000	2001
Africa	1,309	1,250	1,322	1,232	1,508
Australia & New Zealand	692	283	233	332	539
China	2	4	0	86	20
EEC (incl. UK)	12,116	10,706	11,558	7,361	10,751
India, Pakistan & Bangladesh	1,831	2,339	2,106	1,984	3,275
Japan	6,800	2,299	3,395	2,940	1,499
Middle East	1,326	958	360	888	1,139
Taiwan	2,125	1,636	2,561	1,030	1,060
Korea	2,176	1,355	1,369	4,030	3,499
Rest of Asia Pacific	403	106	136	64	62
Singapore	521	377	665	575	3,612
South America	0	100	0	0	6
USA	485	657	416	67	482
	<b>29,786</b>	<b>22,070</b>	<b>24,121</b>	<b>20,589</b>	<b>27,452</b>
<b>Malaysia</b> (domestic consumption)	6,034	4,747	5,087	5,076	3,518
<b>Total</b>	<b>35,820</b>	<b>26,817</b>	<b>29,208</b>	<b>25,665</b>	<b>30,970</b>





## TIN STATISTICS cont'd

LME and U.S. DLA's STOCKS & DISPOSALS (In Tonnes)			
Period End	LME Stocks	DLA Stocks	DLA Disposals
1996	10,610	113,000	6,400
1997	13,040	100,409	11,714
1998	8,180	88,226	12,185
1999	9,155	84,339	3,887
2000	12,885	72,339	12,000
2001			
1st Quarter	13,295	72,339	-
2nd Quarter	18,445	65,839	6,500
3rd Quarter	20,690	65,839	-
4th Quarter	27,485	65,839	-



## SHAREHOLDINGS STATISTICS AS AT 31st MARCH, 2002

### Analysis of Shareholdings

Size Of Holdings	No.of Shareholders	% of Shareholders	No.of Shares Held	% of Issued Capital
Less than 1,000	-	-	-	-
1,000 to 10,000	1,905	95.58	3,827,000	5.10
10,001 to 100,000	69	3.46	2,176,000	2.90
100,001 to less than 5% of issued shares	16	0.80	9,010,000	12.01
5% and above of issued shares	3	0.15	59,987,000	79.98
<b>TOTAL</b>	<b>1,993</b>	<b>100.00</b>	<b>75,000,000</b>	<b>100.00</b>

### Thirty Largest Shareholders

Name	No.of Shares Held	% of Issued Capital
1. Mayban Nominees (Asing) Sendirian Berhad -The Straits Trading Company Limited	28,090,000	37.45
2. Malaysia Mining Corporation Berhad	28,080,000	37.44
3. Malaysia Nominees (Tempatan) Sendirian Berhad -Great Eastern Life Assurance (Malaysia) Berhad	3,817,000	5.09
4. Malaysia Nominees (Asing) Sendirian Berhad -The Great Eastern Life Assurance Company Ltd	3,108,000	4.14
5. Mayban Nominees (Asing) Sdn Bhd -Baxterley Holdings Private Limited	1,145,000	1.53
6. Permodalan Nasional Berhad	1,077,000	1.44
7. Mayban Nominees (Asing) Sendirian Berhad -Sword Investments Private Limited	760,000	1.01
8. Anglo-Oriental (Annuities) Sendirian Berhad	564,000	0.75
9. Malaysia Nominees (Tempatan) Sendirian Berhad -The Pacific Insurance Berhad	500,000	0.67
10. Ibrahim Bin Menudin	315,000	0.42
11. Mayban Securities Nominees (Tempatan) Sendirian Berhad- Ab Sukor Bin Shahr	262,000	0.35
12. Mutual Way Premix Sendirian Berhad	238,000	0.32
13. Chong Fa @ Chong Nam Yen	183,000	0.24
14. Abdul Malik Bin Abdul Kadir	170,000	0.23
15. Syarikat Pembangunan Hawa Bersih Sendirian Berhad	162,000	0.22
16. Mayban Nominees (Tempatan) Sendirian Berhad -Md Ajib Bin Hj Anuar	150,000	0.20
17. Winnie Hamzah Sendut Nee Toh Wee Nee	132,000	0.18
18. Wan Holdings Sdn Bhd	126,000	0.17

## SHAREHOLDINGS STATISTICS AS AT 31st MARCH, 2002 cont'd

### Thirty Largest Shareholders (Continued)

Name	No. of Shares Held	% of Issued Capital
19. Wong Kum Fatt	118,000	0.16
20. Cartaban Nominees (Asing) Sendirian Berhad -Mr Royston P Holmes	100,000	0.13
21. Howe Yoon Chong	100,000	0.13
22. Mayfin Nominees (Tempatan) Sendirian Berhad -Md Ajib Bin Hj Anuar	100,000	0.13
23. Durabeau Corporation Sendirian Berhad	91,000	0.12
24. Eng Nominees (Tempatan) Sendirian Berhad -Kim Eng Ong Asia Securities Pte Ltd	88,000	0.12
25. Yap Song Yung	84,000	0.11
26. Malaysia Nominees (Tempatan) Sendirian Berhad -Wan Holdings Sdn Bhd	80,000	0.11
27. Redring Solder (Malaysia) Sendirian Berhad	74,000	0.10
28. RMT Metals Sendirian Berhad	70,000	0.09
29. Mutual Way Development & Construction Sendirian Berhad	62,000	0.08
30. Pegang Mining Co Sendirian Berhad	55,000	0.07
<b>TOTAL</b>	<b>69,901,000</b>	<b>93.20</b>

### Substantial Shareholders as at 31 March 2002

Shareholders	Direct (No of Shares)	Percentage %	Indirect (No of Shares)	Percentage %
1. Malaysia Mining Corporation Berhad	28,080,000	37.44	564,000	0.75
2. The Straits Trading Company Limited	28,090,000	37.45	1,905,000	2.54
3. Overseas-Chinese Banking Corporation Limited	-	-	6,925,000	9.23
4. Great Eastern Life Assurance (Malaysia) Bhd	3,817,000	5.09	-	-
5. GEL Capital (Malaysia) Bhd	-	-	3,817,000	5.09

**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 BHD 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 Wednesday 29th May 2002 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 and Audited Financial Statements		
2	Declaration of Dividend		
3	Re-election of Directors : a) YBhg. Dato' Mohd Ajib Anuar		
	b) YBhg. Dato' Syed Abdul Jabbar Syed Hassan		
	c) Encik Ayyaril Karikulath Feizal Ali		
	d) Encik Mohamed Jamal bin Dato' Mohd Ramli		
4	Reappointment of Directors :- a) YBhg. Jeneral (B) Tun Ibrahim bin Datuk Ismail		
	b) Mr Choi Siew Hong		
	c) YBhg. Dato' Siew Nim Chee		
5	Approval of Directors' Fee		
6	Reappointment of Auditors		
7	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2002

Total Number of shares	
------------------------------	--

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

**IMPORTANT : PLEASE READ NOTES BELOW**

Note :

*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 27, Jalan Pantai, 12000 Butterworth, Penang not less than forty eight (48) hours before the time for holding 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*

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*Affix  
Postage  
Here*

To:

The Company Secretary  
**MALAYSIA SMELTING CORPORATION BERHAD** (Co. No. 43072-A)  
27 Jalan Pantai  
12000 Butterworth,  
Penang, Malaysia.

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*Fold along this line*