



Financial Statements

Report of The Directors	48 – 51
Statement by The Directors	52
Statutory Declaration	52
Report of The Auditors	53
Income Statements	54
Balance Sheets	55
Statements of Changes In Equity	56 – 57
Cash Flow Statements	58 – 59
Notes to The Financial Statements	60 – 96

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sales and delivery of refined tin metal and by-products. The subsidiaries are primarily engaged in tin mining and smelting, investment holding and to provide an authorised warehouse for tin metal under Kbalu Lumpur Tin Market and Kuala Lumpur Commodity Exchange warrant.

The principal activities of the associates are tin mining and the manufacture and sale of solder products.

There have been no significant changes in the nature of the principal activities during the financial year other than that relating to tin mining which arose as a result of the acquisition of a 30% equity interest in Marlborough Resources NL, a company incorporated in Australia.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation	37,230	18,977
Minority interests	(8,274)	-
Net profit for the year	28,956	18,977

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2002 were as follows:

	RM'000
In respect of the financial year ended 31 December 2002 as reported in the directors' report of that year:	
Second tax exempt interim dividend of 10 sen per share, paid on 28 April 2003	7,500
In respect of the financial year ended 31 December 2003:	
Interim tax exempt dividend of 8 sen per share, paid on 30 October 2003	6,000

On 25 February 2004, the directors declared the payment of a second interim dividend in respect of the financial year ended 31 December 2003, of 14 sen per share, less tax at 28% amounting to RM7,560,000. This dividend will be payable on 18 May 2004 to shareholders registered on the Company's register of members at the close of business at 5.00 pm on 27 April 2004. The directors do not intend to propose a final dividend for the financial year ended 31 December 2003.

The financial statements for the current financial year do not reflect this declared dividend which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2004.

SHARE CAPITAL

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

DIRECTORS

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

Jeneral (B) Tun Ibrahim bin Datuk Ismail (Chairman)
 Dato' Dr Mohd Ajib Anuar (Executive Director)
 Choi Siew Hong
 Norman Ip Ka Cheung
 Dato' Siew Nim Chee
 Dato' Wira Syed Abdul Jabbar bin Syed Hassan
 Dato' Ismail bin Shahudin
 Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii

In accordance with Article 101 of the Articles of Association of the Company, the director retiring by rotation this year is Dato' Wira Syed Abdul Jabbar bin Syed Hassan and, being eligible offers himself 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(2) 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' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company as disclosed in Note 3 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest required to be disclosed by Section 169 (8) of the Companies Act, 1965 other than as disclosed in Note 26 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RMI each			
	1 January 2003	Bought	Sold	31 December 2003
The Company				
Direct interest:				
Jeneral (B) Tun Ibrahim bin Datuk Ismail	10,000	-	-	10,000
Dato' Dr Mohd Ajib Anuar	250,000	-	-	250,000
Choi Siew Hong	10,000	-	-	10,000
Norman Ip Ka Cheung	10,000	-	-	10,000
Indirect interest:				
Dato' Siew Nim Chee	-	77,500	-	77,500

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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (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 realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (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 would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due other than the contingent liability as disclosed in Note 25 to the financial statements; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

OTHER SIGNIFICANT EVENTS

- (1) On 27 February 2003, the Company entered into Agreements with Marlborough Resources NL (MBG), a company incorporated in Australia, in respect of the following transactions:
- (i) subscribe for 99,593,000 fully paid ordinary shares of AUD0.05 each, for a total purchase consideration of RM11,353,602 (AUD4,979,650), representing a 30% equity interest in the enlarged issued and paid up share capital of MBG.
 - (ii) purchase for 6,857,000 unsecured redeemable convertible notes of AUD0.05 each, with a maturity period until 22 April 2006, for a total cash consideration of RM784,098 (AUD342,850). The unsecured redeemable convertible notes carry a coupon rate of 10% per annum which is convertible into fully paid ordinary shares and exercisable once only at a price of:
 - (a) AUD0.07 on or before the first anniversary of the issue date;
 - (b) AUD0.09 on or before the second anniversary of the issue date; and
 - (c) AUD0.12 on or before the third anniversary of the issue date.

The convertible notes can be redeemed prior to maturity date, which is the first anniversary of its issue date. Each convertible note has one attaching option which can be converted into one fully paid ordinary share at the option exercise price indicated above.

The acquisition of the 30% equity interest in MBG was completed on 22 April 2003.

On 24 October 2003, the Company exercised its entitlement to subscribe for the rights issue of MBG for an additional 33,197,666 ordinary shares at the issue price of AUD0.043 each for a total cash consideration of RM3,738,173 (AUD1,427,500).

- (2) On 16 May 2003, the Company entered into a conditional Sale and Purchase Agreement for the proposed acquisition of a 25% equity interest in ZR Minerals Sdn. Bhd. One of the conditions precedent is the renewal of the relevant mining leases in Klian Intan, Perak operated by Rahman Hydraulic Tin Berhad (Special Administrators Appointed) and which expired on 31 December 2003. As at todote, the lease renewal is still under consideration by the Perak State Government.
- (3) On 29 December 2003, the Company entered into a strategic cooperation agreement with an Indonesian-based company. This will enable the Company to undertake extensive exploration for new tin deposits and reserves under a production sharing arrangement over approximately 15,000 hectares of prospective areas in Bangka Island, Indonesia. The Company has the right to assign the agreement to its Indonesian subsidiary.

SUBSEQUENT EVENT

In January 2004, the Company incorporated a wholly-owned subsidiary PT MSC Indonesia, in Indonesia to undertake the strategic cooperation agreement entered into by the Company on 29 December 2003 with the Indonesian-based company.

AUDITORS

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

Signed in accordance with a resolution of the directors:



GENERAL (B) TUN IBRAHIM BIN DATUK ISMAIL

Kuala Lumpur, Malaysia
Date: 23 March 2004



DATO' DR MOHD AJIB ANUAR

STATEMENT BY DIRECTORS

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

We, JENERAL (B) TUN IBRAHIM BIN DATUK ISMAIL and DATO' DR MOHD AJIB ANUAR, being two of the directors of MALAYSIA SMELTING CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 54 to 96 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:



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

Kuala Lumpur, Malaysia

Date: 23 March 2004



DATO' DR MOHD AJIB ANUAR

STATUTORY DECLARATION

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

I, YAP FOOK PING, being the officer primarily responsible for the financial management of MALAYSIA SMELTING CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 54 to 96 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 23 March 2004

Before me,

Md Nazan bin Yusuf
P064
Commissioner for Oaths
Butterworth



YAP FOOK PING

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MALAYSIA SMELTING CORPORATION BERHAD (43072-A)
(Incorporated in Malaysia)**

We have audited the accompanying financial statements set out on pages 54 to 96. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable 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 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 10 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG
AF : 0039
Chartered Accountants**DATO' NORDIN BAHARUDDIN**
837/03/04 (J)
PartnerKuala Lumpur, Malaysia
Date: 23 March 2004

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	GROUP		COMPANY	
		2003 RM'000	As restated 2002 RM'000	2003 RM'000	As restated 2002 RM'000
Revenue	3	783,377	719,457	641,512	563,610
Profit from operations	3	58,054	40,822	24,044	25,325
Finance costs	4	(2,731)	(2,077)	(2,731)	(2,073)
Share of results of associates		(2,074)	445	-	-
Profit before taxation		53,249	39,190	21,313	23,252
Taxation	5	(16,019)	(12,208)	(2,336)	(7,337)
Profit after taxation		37,230	26,982	18,977	15,915
Minority interests		(8,274)	(2,569)	-	-
Net profit for the year		28,956	24,413	18,977	15,915
Earnings per share - (sen)					
Basic	6	38.6	34.2		
Net dividends paid per share - (sen)	7	18.0	16.6	18.0	16.6

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

AS AT 31 DECEMBER 2003

NON-CURRENT ASSETS

Property, plant and equipment
Base inventory
Investment in subsidiaries
Investment in associates

CURRENT ASSETS

Inventories
Trade receivables
Other receivables
Tax recoverable
Amount due from subsidiaries
Amount due from an associate
Cash, bank balances and deposits

CURRENT LIABILITIES

Trade payables
Other payables
Provisions for liabilities
Amount due to a subsidiary
Amount due to an associate
Taxation
Borrowings

NET CURRENT ASSETS

FINANCED BY:

Share capital
Reserves

Shareholders' equity
Minority interests

NON-CURRENT LIABILITIES

Provisions for liabilities
Deferred tax liabilities
Borrowings

Note	GROUP		COMPANY	
	As restated		As restated	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
8	113,864	115,539	60,090	60,846
9	3,000	3,000	3,000	3,000
10	-	-	-	-
11	30,616	13,678	26,504	10,473
	147,480	132,217	89,594	74,319
12	211,038	131,779	73,245	59,492
13	36,001	28,683	34,040	15,107
14	10,747	13,886	1,655	884
	9	1,976	8	-
10.1	-	-	88,651	60,942
11.1	2,536	638	2,536	638
15	78,260	56,475	68,053	53,438
	338,591	233,437	268,188	190,501
16	17,828	5,208	15,365	2,945
17	15,459	21,858	5,599	7,808
18	1,902	2,412	778	794
10.1	-	-	88	89
11.2	1,000	1,000	1,000	1,000
	12,183	54	-	54
19	139,433	59,257	139,433	59,257
	187,805	89,789	162,263	71,947
	150,786	143,648	105,925	118,554
	298,266	275,865	195,519	192,873
20	75,000	75,000	75,000	75,000
21	131,933	116,283	88,862	86,344
	206,933	191,283	163,862	161,344
	31,362	27,364	-	-
	238,295	218,647	163,862	161,344
18	22,629	21,058	-	-
22	9,266	7,660	3,581	3,029
19	28,076	28,500	28,076	28,500
	59,971	57,218	31,657	31,529
	298,266	275,865	195,519	192,873

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

Group	Note	Non-Distributable				Distributable		Total RM'000
		Share capital RM'000	Capital reserve RM'000	Reserve on consolidation RM'000	Revaluation reserve RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	
At 1 January 2002:								
As previously reported		75,000	1,706	–	11,468	–	68,865	157,039
Prior year adjustments	28	–	–	–	(1,806)	–	5,718	3,912
As restated		75,000	1,706	–	9,662	–	74,583	160,951
On acquisition of subsidiaries		–	–	18,399	–	–	–	18,399
Net profit for the year		–	–	–	–	–	24,413	24,413
Dividends	7	–	–	–	–	–	(12,480)	(12,480)
At 31 December 2002		75,000	1,706	18,399	9,662	–	86,516	191,283
At 1 January 2003:								
As previously reported		75,000	1,706	18,460	11,468	–	86,669	193,303
Prior year adjustments	28	–	–	(61)	(1,806)	–	(153)	(2,020)
As restated		75,000	1,706	18,399	9,662	–	86,516	191,283
Revaluation surplus for the year		–	–	–	245	–	–	245
Foreign exchange differences representing net gains not recognised in the income statement		–	–	–	–	662	–	662
Deferred tax on revaluation surplus not recognised in income statement		–	–	–	(713)	–	–	(713)
Net profit for the year		–	–	–	–	–	28,956	28,956
Dividends	7	–	–	–	–	–	(13,500)	(13,500)
At 31 December 2003		75,000	1,706	18,399	9,194	662	101,972	206,933

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY *cont'd*
FOR THE YEAR ENDED 31 DECEMBER 2003

Company	Note	Share capital RM'000	← Non-Distributable →		Distributable	Total RM'000
			Revaluation reserve RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	
At 1 January 2002:						
As previously reported		75,000	11,468	-	67,529	153,997
Prior year adjustments	28	-	(1,806)	-	5,718	3,912
As restated		75,000	9,662	-	73,247	157,909
Net profit for the year		-	-	-	15,915	15,915
Dividends	7	-	-	-	(12,480)	(12,480)
At 31 December 2002		75,000	9,662	-	76,682	161,344
At 1 January 2003:						
As previously reported		75,000	11,468	-	76,914	163,382
Prior year adjustments	28	-	(1,806)	-	(232)	(2,038)
As restated		75,000	9,662	-	76,682	161,344
Revaluation surplus for the year		-	245	-	-	245
Foreign exchange differences representing net losses not recognized in the income statement		-	-	(2,491)	-	(2,491)
Deferred tax on revaluation surplus not recognised in income statement		-	(713)	-	-	(713)
Net profit for the year		-	-	-	18,977	18,977
Dividends	7	-	-	-	(13,500)	(13,500)
At 31 December 2003		75,000	9,194	(2,491)	82,159	163,862

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		COMPANY	
	2003 RM'000	As restated 2002 RM'000	2003 RM'000	As restated 2002 RM'000
Profit before taxation	53,249	39,190	21,313	23,252
Adjustments for:				
Depreciation	10,040	14,586	1,589	1,965
Impairment loss on property, plant and equipment	-	459	-	459
Interest expense	2,716	2,077	2,716	2,058
Provision for severance benefits	2,909	2,960	-	-
Provision for inventory obsolescence	135	1,140	-	-
Specific provision for doubtful debts	3,000	-	3,000	-
Dividend income	-	-	(12,802)	(93)
Reversal of provision for mine reclamation	(300)	(1,331)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(221)	81	(99)	(19)
Interest income	(1,362)	(2,323)	(3,703)	(2,224)
Share of associates' results	2,074	(445)	-	-
Operating profit before working capital changes	72,240	56,394	12,014	25,398
Increase in inventories	(79,403)	(33,175)	(13,753)	(7,572)
(Increase)/Decrease in receivables	(7,179)	28,035	(22,741)	22,430
Increase in amount due from subsidiaries	-	-	(27,709)	(4,415)
Increase in amount due from an associate	(1,898)	(638)	(1,898)	(638)
Increase/(Decrease) in payables	7,955	(14,555)	9,979	(14,145)
Decrease in amount due to a subsidiary	-	-	(1)	(2)
Cash (used in)/generated from operations	(8,285)	36,061	(44,109)	21,056
Income tax paid	(2,559)	(18,616)	(2,559)	(11,589)
Interest paid	(2,716)	(1,850)	(2,500)	(1,831)
Severance benefits paid	(1,702)	(10,484)	-	-
Net cash (used in)/from operating activities carried forward	(15,262)	5,111	(49,168)	7,636

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENTS cont'd
FOR THE YEAR ENDED 31 DECEMBER 2003

Net cash (used in)/from operating activities brought forward

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of subsidiaries net of cash and cash equivalents acquired
Purchase of shares in an associate
Gross dividend received from an associate
Gross dividend received from a subsidiary
Interest received
Loan given to a subsidiary
Purchase of property, plant and equipment
Proceeds from disposal of property, plant and equipment

Net cash (used in)/from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings from short term trade financing
Borrowing from term loans
Repayment of term loans
Dividends paid
- shareholders of the Company
- minority shareholders

Net cash from financing activities

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT 1 JANUARY

CASH AND CASH EQUIVALENTS AT 31 DECEMBER

CASH AND CASH EQUIVALENTS AT 31 DECEMBER

Cash, bank balances and deposits (Note 15)

	GROUP		COMPANY	
	2003 RM'000	As restated 2002 RM'000	2003 RM'000	As restated 2002 RM'000
	(15,262)	5,111	(49,168)	7,636
	-	(51,695)	-	-
	(16,031)	-	(16,031)	-
	93	93	93	93
	-	-	12,709	-
	1,400	2,630	3,741	2,531
	-	-	-	(56,509)
	(11,018)	(1,701)	(596)	(230)
	3,118	2,139	106	19
	(22,438)	(48,534)	22	(54,096)
	77,159	14,262	77,159	14,262
	9,603	38,000	9,603	38,000
	(9,501)	-	(9,501)	-
	(13,500)	(12,480)	(13,500)	(12,480)
	(4,276)	-	-	-
	59,485	39,782	63,761	39,782
	21,785	(3,641)	14,615	(6,678)
	56,475	60,116	53,438	60,116
	78,260	56,475	68,053	53,438
	78,260	56,475	68,053	53,438

The accompanying notes form an integral part of the financial statements

I. CORPORATE INFORMATION

The principal activities of the Company are investment holding and the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sale and delivery of refined tin metal and by-products. The principal activities of the subsidiaries and associates are set out in Notes 10 and 11 to the financial statements respectively. There have been no significant changes in the nature of these activities during the financial year other than that relating to tin mining which arose as a result of the acquisition of a 30% equity interest in Marlborough Resources NL, a company incorporated in Australia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Malaysia Securities Exchange Berhad.

The registered office of the Company is located at 27 Jalan Pantai, 12000 Butterworth, Penang, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 March 2004.

2. 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 except for the revaluation of freehold and leasehold land and buildings.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25 - Income Taxes

MASB 27 - Borrowing Costs

MASB 29 - Employee Benefits

The effects of adopting MASB 25 and MASB 29 are summarised in the Statements of Changes in Equity and further information is disclosed in Note 28 to the financial statements. The adoption of MASB 27 had not given rise to any adjustments to the opening balances of retained profits of the prior and current years or to changes in comparatives.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (cont'd)

(i) Subsidiaries (cont'd)

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(ii) Associates

Associates are those companies in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year are included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Freehold and leasehold land and buildings located within Malaysia are revalued at least once in every five years based on a valuation by an independent valuer on an open market value or depreciated replacement cost. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A revaluation decrease is first offset against an increase on earlier valuation in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Freehold land is not depreciated. Leasehold land is depreciated over the unexpired period of the respective leases which range from 3 years to 24 years. Buildings are depreciated on a straight line basis over 8 to 40 years or the unexpired lease period or life of the mine, whichever is shorter.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(d) Property, Plant and Equipment and Depreciation**

Depreciation of other property, plant and equipment of the tin mining subsidiary is provided for on a straight line basis to write off the cost of each asset to its residual value over the shorter of their estimated economic useful lives or life of the mine.

The depreciation rates used for the remaining assets are as follows:

Plant, equipment and vehicles
Furniture

4 to 40 years
5 to 10 years

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(e) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(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 balance sheet at conservative net realisable value which is lower than cost. In view of the long-term nature of the inventory, the value is not intended to be adjusted for short-term price fluctuations.

(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.

Absorption costing is used in the mining operation to assign costs to tin inventories using the weighted average cost method which includes both variable and fixed overhead cost components. Inventories of purchased medium grade tin concentrates prior to processing are valued at their purchase cost.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(i) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or negative goodwill.

Prior to adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 28.

(j) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(j) Employee Benefits (cont'd)****(iii) Severance Benefits**

A mining subsidiary operates an unfunded, defined Severance Benefits Scheme (the Scheme) for its eligible employees under its labour agreements. The subsidiary's obligations under the Scheme are determined on the estimated amount of benefits that employees have earned in return for their service in the current and prior years. The benefit is discounted using the Projected Unit Credit Method in order to determine its present value.

Actuarial gains or losses are recognised as income or expense over the expected average remaining working lives of eligible employees when the cumulative unrecognised actuarial gains or losses for the benefits exceed 10% of the present value of the defined obligation. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service cost.

(iv) Termination benefits

The Company pays termination benefits in cases of termination of employment within the framework of a restructuring. Termination benefits are recognised as a liability and are expensed when the Company has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

Prior to adoption of MASB 29 : Employee Benefits on 1 January 2003, no liability was recognised for the obligations in respect of short-term employee benefits in the form of unutilised annual leave and the Group's obligation under the defined severance benefits scheme was calculated based on expected future severance benefits discounted to balance sheet date using forecast bond discount rates instead of the Projected Unit Credit Method. The changes in accounting policies had been accounted for retrospectively and the effects of the changes are disclosed in Note 28.

(k) Mine Exploration and Evaluation Expenditure

Mine exploration and evaluation expenditure incurred during exploration and evaluation of new areas of interest within a mining lease currently under mining is written off as incurred.

(l) Mine Development and Construction Expenditure

Mine development expenditure incurred during the development of new mine sites is generally expensed as incurred as mining operations involve a number of smaller pits which turn over at a constant rate over a relatively short period of time. These expenditures are considered to provide minimal benefit to future periods and accordingly are not deferred.

Construction expenditure on new mine sites incurred prior to production relating to capital equipment is classified as property, plant and equipment. Expenditure for other items is only deferred where it is significant and considered to provide benefit to future periods.

(m) Mine Environmental Expenditure

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

In prior years, the group accrued significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production of each mine. The amount accrued was based on the total provision required to be made over the life of the mine calculated on a systematic basis.

For the current year, provision for significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production of each mine property is made based on the present value of the estimated expenditure to be incurred.

The financial effects arising from the above are disclosed in Note 28.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(n) Financial Instruments**

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

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates, are stated at cost less impairment losses.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Receivables

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

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in the income statement in the year in which they are incurred.

(v) Equity Instruments

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

(vi) Derivative Financial Instruments

The Group uses derivative financial instruments, including forward foreign exchange contracts, to hedge its exposure to interest rate and foreign exchange and other risks arising from operational, financing and investment activities.

Derivative financial instruments are not recognised in the financial statements on inception.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(vi) Derivative Financial Instruments (cont'd)****Forward Foreign Exchange Contracts**

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

(o) Foreign Currencies**(i) Foreign Currency Transactions**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction unless hedged by foreign exchange contracts in which case the rates specified in such forward contracts are used. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

(ii) Foreign Entities

Financial statements of foreign consolidated subsidiaries are translated at year end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates used for every unit of foreign currency ruling at balance sheet date are as follows:

	2003	2002
	RM	RM
Australian Dollar	2.87	2.16
United States Dollar	3.80	3.80
Indonesian Rupiah (100 units)	0.045	0.042

(p) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably.

(i) Sale of Goods and Services

Revenue relating to sale of goods and services is recognised upon transfer of ownership of products or performance of service.

(ii) Interest Income

Interest income is recognised on an accrual basis.

(iii) Dividend Income

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

(iv) Tin Warrant Charges and Administrative Fees

Revenue from tin warrant charges and administrative fees are recognised upon performance of services.

(v) Warehouse Rent

Revenue from warehouse rent is recognised on an accrual basis.

(q) Cash and Cash Equivalents

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

3. PROFIT FROM OPERATIONS**(i) Profit from operations is calculated as follows:**

	GROUP		COMPANY	
	2003	As restated 2002	2003	As restated 2002
	RM'000	RM'000	RM'000	RM'000
Sale of goods and services	782,176	715,801	640,311	559,955
Tin warehousing and delivery charges	1,201	3,656	1,201	3,655
Revenue	783,377	719,457	641,512	563,610
Cost of goods sold and services provided	(691,047)	(668,129)	(626,385)	(533,757)
Gross profit	92,330	51,328	15,127	29,853
Other operating income	1,637	3,385	17,907	2,452
Marketing and distribution expenses	(16,544)	(6,050)	(1,878)	(2,239)
Administrative expenses	(11,393)	(7,829)	(7,112)	(4,729)
Other operating expenses	(7,976)	(12)	-	(12)
Profit from operations	58,054	40,822	24,044	25,325

31 DECEMBER 2003

4. FINANCE COSTS

Included herein is interest expense on borrowings

5. TAXATION

Tax expense for the year:
 Malaysian income tax
 Foreign tax

Deferred tax:

Relating to origination and reversal of
 temporary differences (Note 22)

(Over)/Underprovided in prior years:

Foreign deferred tax
 Malaysian income tax

Company and subsidiaries

Share of taxation of associates

GROUP		COMPANY	
2003	2002	2003	2002
RM'000	RM'000	RM'000	RM'000
2,716	2,077	2,716	2,058

GROUP		COMPANY	
2003	As restated 2002	2003	As restated 2002
RM'000	RM'000	RM'000	RM'000
2,611	6,889	2,611	6,889
13,610	7,028	-	-
16,221	13,917	2,611	6,889
893	(2,360)	(161)	(84)
(1,068)	-	-	-
(114)	532	(114)	532
15,932	12,089	2,336	7,337
87	119	-	-
16,019	12,208	2,336	7,337

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2002 : 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the 2003 financial year, the income tax rate applicable to the subsidiary in Indonesia was reduced from 48% to 30%.

5. TAXATION (CONT'D)

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

	GROUP	
	2003	As restated 2002
	RM'000	RM'000
Profit before taxation	53,249	39,190
Taxation at Malaysian statutory tax rate of 28% (2002 : 28%)	14,910	10,973
Effect of different tax rate in other countries	1,165	409
Income not subject to tax	(33)	(21)
Expenses not deductible for tax purposes	1,250	315
Unbooked deferred tax effect on provision for mine reclamation	(91)	–
Tax (over)/underprovided in prior years	(114)	532
Deferred tax overprovided in prior years	(1,068)	–
Tax expense for the year	16,019	12,208

	COMPANY	
	2003	As restated 2002
	RM'000	RM'000
Profit before taxation	21,313	23,252
Taxation at Malaysian statutory tax rate of 28%	5,968	6,511
Income not subject to tax	(4,280)	(21)
Expenses not deductible for tax purposes	762	315
(Over)/Underprovided in prior years	(114)	532
	2,336	7,337

	GROUP	
	2003	As restated 2002
	RM'000	RM'000
Tax savings recognised during the year arising from:		
Utilisation of tax losses brought forward	1,318	1,681
Tax losses are analysed as follows:		
Unabsorbed tax losses	595	1,792

The unused tax losses are available indefinitely for offset against future taxable profits of a subsidiary in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group.

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on net profit for the year of RM28,956,000 (2002 : RM24,413,000) for the Group and 75,060,000 (2002 : 75,000,000) shares in issue during the year.

Comparative amount has been restated to take into account the prior year adjustments as disclosed in Note 28.

7. DIVIDENDS**Group and Company**

Interim dividend for the year of 8 sen tax exempt
(2002 : 8 sen tax exempt)

Second interim dividend for the previous year of
10 sen tax exempt (2002 : Nil sen)

Final dividend for the previous year of Nil sen
(2002 : 12 sen) less tax at 28%

	Amount		Net dividends paid per share	
	2003 RM'000	2002 RM'000	2003 Sen	2002 Sen
Interim dividend for the year of 8 sen tax exempt (2002 : 8 sen tax exempt)	6,000	6,000	8.0	8.0
Second interim dividend for the previous year of 10 sen tax exempt (2002 : Nil sen)	7,500	-	10.0	-
Final dividend for the previous year of Nil sen (2002 : 12 sen) less tax at 28%	-	6,480	-	8.6
	13,500	12,480	18.0	16.6

On 25 February 2004, the directors declared a second interim dividend in respect of the financial year ended 31 December 2003, of 14 sen per share, less tax at 28% amounting to RM7,560,000. This will be payable on 18 May 2004 to shareholders registered on the Company's register of members at the close of business at 5.00 pm on 27 April 2004. The directors do not intend to propose a final dividend for the financial year ended 31 December 2003.

The financial statements for the current financial year do not reflect this declared dividend which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2004.

8. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	2003 Total RM'000
Cost or Valuation						
At 1 January	42,048	667	39,534	274,080	740	357,069
Additions	-	-	-	10,422	596	11,018
Disposals	-	-	-	(11,998)	-	(11,998)
Revaluation adjustment	(2,802)	(30)	(2,142)	-	-	(4,974)
Transfer in/(out)	-	-	19	573	(592)	-
At 31 December	39,246	637	37,411	273,077	744	351,115
Representing:						
Cost	-	-	22,134	273,077	744	295,955
Valuation 2003	39,246	637	15,277	-	-	55,160
	39,246	637	37,411	273,077	744	351,115
Accumulated depreciation and impairment losses						
At 1 January	-	119	26,757	214,654	-	241,530
Charge for the year	-	30	407	9,603	-	10,040
Disposals	-	-	-	(9,101)	-	(9,101)
Revaluation adjustment	-	(149)	(5,069)	-	-	(5,218)
At 31 December	-	-	22,095	215,156	-	237,251
Net book value						
At 31 December 2003	39,246	637	15,316	57,921	744	113,864
At 31 December 2002	42,048	548	12,777	59,426	740	115,539
Net book value (had the assets been carried at cost less depreciation)						
At 31 December 2003	31,521	139	8,630	57,921	744	98,955
At 31 December 2002	31,521	147	8,919	59,426	740	100,753

31 DECEMBER 2003

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

Company	Freehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	2003 Total RM'000
Cost or Valuation						
At 1 January	42,048	667	17,400	34,165	740	95,020
Additions	-	-	-	-	596	596
Disposals	-	-	-	(528)	-	(528)
Revaluation adjustment	(2,802)	(30)	(2,142)	-	-	(4,974)
Transfer in/(out)	-	-	19	573	(592)	-
At 31 December	39,246	637	15,277	34,210	744	90,114
Representing:						
Cost	-	-	-	34,210	744	34,954
Valuation 2003	39,246	637	15,277	-	-	55,160
	39,246	637	15,277	34,210	744	90,114

Accumulated depreciation and impairment losses

At 1 January	-	119	4,691	29,364	-	34,174
Charge for the year	-	30	378	1,181	-	1,589
Disposals	-	-	-	(521)	-	(521)
Revaluation adjustment	-	(149)	(5,069)	-	-	(5,218)
At 31 December	-	-	-	30,024	-	30,024

Net book value

At 31 December 2003	39,246	637	15,277	4,186	744	60,090
At 31 December 2002	42,048	548	12,709	4,801	740	60,846

**Net book value
(had the assets been carried at cost less depreciation)**

At 31 December 2003	31,521	139	8,591	4,186	744	45,181
At 31 December 2002	31,521	147	8,851	4,801	740	46,060

Group/Company

The short leasehold land comprises leases with a current duration of between 3 to 24 years.

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

Details of independent professional valuation of freehold land, short leasehold land and buildings owned by the Company at 31 December 2003 are as follows:

Valuer	Date of valuation	Description of property	Valuation Amount RM'000	Net book value RM'000	Basis of valuation
(a) Prem Kumar, FISM Registered Valuer	6 August 2003	Office lot in Kuala Lumpur - freehold	1,100	898	Open market value
(b) Tay Tam, FISM B.Surv. (Hons) Property Mgt Registered Valuer	20 August 2003	Vacant land in Prai - freehold	25,680	26,741	Open market value
	26 August 2003	80 units flats in Bukit Mertajam - freehold	4,400	4,377	Open market value
	26 September 2003	Tin Smelting industrial complex - freehold and leasehold	24,000	22,204	Depreciated replacement cost
			<u>55,160</u>	<u>54,220</u>	

9. BASE INVENTORY

As stated in Note 2(f), base inventory which comprises a metallic tin content of 381 tonnes is stated in the balance sheet at RM3,000,000 based on a conservative net realisable value calculated at a tin metal price of RM111 per kg, as compared with the tin metal price of RM25.12 per kg as at 31 December 2003.

31 DECEMBER 2003

10. INVESTMENT IN SUBSIDIARIES

Unquoted shares, at cost

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of incorporation	Issued and paid-up capital 2003	Company		Principal activities
			2003 RM'000	2002 RM'000	
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
Bemban Corporation Ltd.	British Virgin Islands	1 share of USD1 each	100%	100%	Investment holding
* Kajuara Mining Corporation Pty. Ltd.	Australia	4 million non par value AUD shares	#100%	#100%	Investment holding
** PT Koba Tin	Indonesia	1 million shares of USD1 each	#75%	#75%	Tin mining and smelting

* Audited by member of Ernst & Young Global

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

Indirect interest

Company

2003 RM'000	2002 RM'000
-	-

10. INVESTMENT IN SUBSIDIARIES (CONT'D)**Acquisition of subsidiaries**

The effect of the acquisitions on the financial results of the Group from the date of acquisition to 31st December is as follows:

	GROUP	
	2003	As restated 2002
	RM'000	RM'000
Revenue	-	258,652
Profit from operations	-	14,999
Finance cost	-	(4)
Profit before taxation	-	14,995
Taxation	-	(4,752)
Profit after taxation	-	10,243

The effect of the acquisitions on the financial position of the Group as at 31 December is as follows:

	GROUP	
	2003	As restated 2002
	RM'000	RM'000
Property, plant and equipment	-	54,693
Inventories	-	72,287
Receivables	-	28,554
Cash, bank balances and deposits	-	3,037
Payables	-	(18,444)
Deferred taxation	-	(4,631)
Deferred liability	-	(20,536)
Minority interests	-	(27,364)
Group's share of net assets	-	87,596

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

The fair values of the assets acquired and liabilities assumed from the acquisition of a 75% interest in PT Koba Tin through 2 other wholly owned subsidiaries, Kajuara Mining Corporation Pty. Ltd. and Bemban Corporation Ltd. were as follows:

	GROUP	
	2003	As restated 2002
	RM'000	RM'000
Net assets acquired:		
Property, plant and equipment	-	68,063
Inventories	-	47,823
Receivables	-	34,159
Cash and bank balances	-	4,805
Payables	-	(17,356)
Deferred taxation	-	(6,907)
Deferred liability	-	(30,722)
Fair value of total net assets	-	99,865
Minority interests	-	(24,966)
Group's share of net assets	-	74,899
Reserve on consolidation	-	(18,399)
Total consideration	-	56,500
Satisfied by cash (Note 10.1)	-	56,500
Net cash outflows arising on acquisition:		
Cash consideration	-	56,500
Cash and cash equivalents of the subsidiary acquired	-	(4,805)
	-	51,695

10.1 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from/(to) subsidiaries are unsecured, trade and non-trade in nature, interest-free and have no fixed terms of repayments except that interest at 9.0% p.a. (2002 : 7.5%) is charged to a subsidiary for payments made in advance to the subsidiary before delivery of goods.

Included in amounts due from subsidiaries is an unsecured, interest free loan of RM56.5 million (2002 : RM56.5 million) given to Bemban Corporation Ltd. to finance the acquisition of a 100% interest in Kajuara Mining Corporation Pty. Ltd., which owns a 75% interest in PT Koba Tin.

II. INVESTMENT IN ASSOCIATES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unquoted share, at cost	10,473	10,473	10,473	10,473
Share of post-acquisition reserves	3,366	3,205	-	-
	13,839	13,678	10,473	10,473
Outside Malaysia:				
Quoted share, at cost	15,247	-	15,247	-
Exchange translation difference	3,161	-	-	-
	18,408	-	15,247	-
Share of post-acquisition reserves	(2,415)	-	-	-
	15,993	-	15,247	-
Unsecured redeemable convertible notes	784	-	784	-
	30,616	13,678	26,504	10,473
Market value of quoted shares	18,312	-	18,312	-
	GROUP			
	2003 RM'000	2002 RM'000		
Represented by:				
Share of net assets	27,027	10,873		
Premium arising on acquisition	2,805	2,805		
	29,832	13,678		
Unsecured redeemable convertible notes	784	-		
	30,616	13,678		

Details of the associates are as follows:

Name of Company	Country of incorporation	Effective interest held		Principal activities
		2003	2002	
Redring Solder (M) Sdn. Bhd	Malaysia	40%	40%	Manufacture and sale of solder products
Marlborough Resources NL	Australia	30%	-	Tin mining

II. INVESTMENT IN ASSOCIATES (CONT'D)

During the year, the Company entered into a Share Subscription Agreement with Marlborough Resources NL, a Company incorporated in Australia and listed on the Stock Exchange of Australia to subscribe 99,593,000 fully paid ordinary shares of AUD0.05 each, representing a 30% equity interest in Marlborough Resources NL for a total purchase consideration of RM11,353,602 (AUD4,979,650).

During the year, the Company also exercised its entitlement for rights issue for an additional 33,197,666 shares at the issue price of AUD0.043 each for a cash consideration of RM3,738,173 (AUD1,427,500).

The unsecured redeemable convertible notes with a maturity period until 22 April 2006 were issued on 22 April 2003 and carry a coupon rate of 10% per annum which are convertible into fully paid ordinary shares and exercisable once only at a price of:

- (a) AUD0.07 on or before the first anniversary of the issue date;
- (b) AUD0.09 on or before the second anniversary of the issue date; and
- (c) AUD0.12 on or before the third anniversary of the issue date.

The convertible notes can be redeemed prior to maturity date, which is the first anniversary of its issue date. Each convertible note has one attaching option which can be converted into one fully paid ordinary share at the option exercise price indicated above.

II.1 AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, trade in nature and is subject to the Group's normal credit terms.

Included in amount due from an associate is prepayment amounting to RM2,536,000 (2002 : RM Nil) for tin concentrates received where the purchase price has yet to be finalised.

II.2 AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate represents a security deposit of RM1 million (2002 : RM1 million) received for its purchase of refined tin metal. This amount is placed in fixed deposit with licensed banks and earns interest at average rate of 3.85% (2002 : 4.0%) per annum.

The fixed deposit interest earned on the security deposit is payable to the associate.

12. INVENTORIES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Inventories of tin-in-concentrates:				
tin-in-process and refined tin metal	186,854	107,407	61,085	46,468
Goods in transit	6,382	6,355	6,382	6,355
Other inventories (stores, spares, fuels and by-products)	17,802	18,017	5,778	6,669
	211,038	131,779	73,245	59,492

The cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM690.5 million (2002 : RM664.1 million) and RM625.6 million (2002 : RM531.9 million) respectively.

13. TRADE RECEIVABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	39,075	28,757	37,114	15,181
Specific provision for doubtful debts	(3,074)	(74)	(3,074)	(74)
	36,001	28,683	34,040	15,107

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

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

14. OTHER RECEIVABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other receivables	8,852	12,339	793	671
Specific provision for doubtful debts	(19)	(19)	(19)	(19)
	8,833	12,320	774	652
Deposits	235	231	235	231
Prepayments	1,679	1,335	646	1
	10,747	13,886	1,655	884

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors.

15. CASH, BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash on hand and at banks	10,862	4,794	655	1,757
Deposits with:				
licensed banks	62,398	46,657	62,398	46,657
licensed finance companies	5,000	5,024	5,000	5,024
	78,260	56,475	68,053	53,438

The range of interest rates earned during the financial year and the number of days deposits were placed as at 31 December 2003 were as follows:

	GROUP/COMPANY	
	Range of interest rates % per annum	Number of days deposits are placed
Licensed banks	1.0 - 3.8	2 to 365
Licensed finance companies	3.0 - 3.2	31 to 62

31 DECEMBER 2003

16. TRADE PAYABLES

Trade payables

The Group's normal trade credit term range from cash to 90 days.

17. OTHER PAYABLES

Other payables and accruals

18. PROVISIONS FOR LIABILITIES
Group

At 1 January 2003

Provision during the year

Paid / utilised during the year

At 31 December 2003

At 31 December 2003:

Current

Non-current:

Later than 1 year but not later than 2 years

Later than 2 years but not later than 5 years

Later than 5 years

At 31 December 2002:

Current

Non-current:

Later than 1 year but not later than 2 years

Later than 2 years but not later than 5 years

Later than 5 years

GROUP		COMPANY	
2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
17,828	5,208	15,365	2,945

GROUP		COMPANY	
2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
15,459	21,858	5,599	7,808

As restated Severance Benefits RM'000	As restated Mine reclamation RM'000	As restated Unutilised annual leave RM'000	Total RM'000
16,956	5,720	794	23,470
2,909	(300)	1,067	3,676
(1,702)	-	(913)	(2,615)
18,163	5,420	948	24,531
954	-	948	1,902
1,771	1,018	-	2,789
2,995	1,018	-	4,013
12,443	3,384	-	15,827
17,209	5,420	-	22,629
18,163	5,420	948	24,531
1,618	-	794	2,412
954	-	-	954
2,995	2,036	-	5,031
11,389	3,684	-	15,073
15,338	5,720	-	21,058
16,956	5,720	794	23,470

18. PROVISIONS FOR LIABILITIES (CONT'D)

Company	As restated Severance Benefits RM'000	As restated Mine reclamation RM'000	As restated Unutilised annual leave RM'000	Total RM'000
At 1 January 2003	-	-	794	794
Provision during the year	-	-	413	413
Paid / utilised during the year	-	-	(429)	(429)
At 31 December 2003	-	-	778	778
At 31 December 2003:				
Current	-	-	778	778
Non-current:				
Later than 1 year but not later than 2 years	-	-	-	-
Later than 2 years but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
At 31 December 2002:				
Current	-	-	794	794
Non-current:				
Later than 1 year but not later than 2 years	-	-	-	-
Later than 2 years but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	-	-	-	-
	-	-	794	794

18. PROVISIONS FOR LIABILITIES (CONT'D)**18.1 SEVERANCE BENEFITS OBLIGATIONS**

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

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

	GROUP	
	As restated	
	2003	2002
	RM'000	RM'000
Present value of unfunded defined benefit obligations	18,163	16,956
Analysed as:		
Current	954	1,618
Non-current:		
Later than 1 year but not later than 2 years	1,771	954
Later than 2 years but not later than 5 years	2,995	2,995
Later than 5 years	12,443	11,389
	17,209	15,338
	18,163	16,956

The amounts recognised in the income statement are as follows:

	GROUP	
	As restated	
	2003	2002
	RM'000	RM'000
Current service cost	874	556
Interest cost	2,035	2,404
Total, included in staff costs (Note 24)	2,909	2,960

The amount charge for the year has been included in cost of sales.

18.1 SEVERANCE BENEFITS OBLIGATIONS (CONT'D)

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

	GROUP	
	2003	As restated 2002
	RM'000	RM'000
At 1 January	16,956	-
Acquisition of a subsidiary	-	24,480
Amounts recognised in the income statement	2,909	2,960
Paid during the year	(1,702)	(10,484)
	18,163	16,956
At 31 December		
Principal actuarial assumptions used:		
	2003	2002
	%	%
Discount rate	12.00	12.00
Expected rate of salary increases	10.00	10.00

19. BORROWINGS

	Group/Company	
	2003	2002
	RM'000	RM'000
Short-Term Borrowings		
Unsecured:		
Short-term trade financing	90,386	33,317
Bankers' acceptances	36,530	16,440
Term loan 1	9,500	9,500
Term loan 2	3,017	-
	139,433	59,257
Long-Term Borrowings		
Unsecured:		
Term loan 1	19,000	28,500
Term loan 2	9,076	-
	28,076	28,500

19. BORROWINGS (CONT'D)**Total Borrowings**

Short-term trade financing
Bankers' acceptances
Term loan 1
Term loan 2

Maturity of borrowings

Within 1 year
More than 1 year and less than 2 years
More than 2 years and less than 5 years

Group/Company		
2003	2002	
RM'000	RM'000	
90,386	33,317	
36,530	16,440	
28,500	38,000	
12,093	–	
167,509	87,757	
139,433	59,257	
12,516	9,500	
15,560	19,000	
167,509	87,757	

The unsecured term loan 1 is denominated in US Dollar and is repayable by 8 semi-annual principal repayments of RM4.75 million (USD1.25 million) each commencing on 5 April 2003.

The unsecured term loan 2 is denominated in Australian Dollar and is repayable by 8 semi-annual principal repayments of RM1.508 million (AUD525,000) each commencing on 17 April 2004.

The range of interest rates incurred during the year for borrowings are as follows:

	Group/Company	
	2003	2002
	% per annum	% per annum
Bank overdrafts	6.40 - 6.80	6.40 - 6.80
Bankers' acceptances	3.02 - 3.13	2.85 - 3.09
US Dollar Trade Loans	1.45 - 2.09	1.70 - 2.45
Term loan 1	2.12 - 2.77	2.39 - 2.87
Term loan 2	6.00 - 6.46	–

20. SHARE CAPITAL

Authorised:

At 31 December

Issued and fully paid:

At 31 December

Company			
Number of ordinary shares of RM1 each		Amount	
2003	2002	2003	2002
'000	'000	RM'000	RM'000
100,000	100,000	100,000	100,000
75,000	75,000	75,000	75,000

21. RESERVES

Distributable:

Retained profit

Non-distributable:

Surplus on revaluation of land and buildings

Foreign exchange reserve

Capital reserve

Reserve on consolidation

	GROUP		COMPANY	
	2003	As restated 2002	2003	As restated 2002
	RM'000	RM'000	RM'000	RM'000
101,972	86,516	82,159	76,682	
9,194	9,662	9,194	9,662	
662	-	(2,491)	-	
1,706	1,706	-	-	
18,399	18,399	-	-	
131,933	116,283	88,862	86,344	

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

As at 31 December 2003, the Company has tax exempt profits available for distribution of approximately RM3,096,000 (2002 : RM16,570,000), subject to the agreement of the Inland Revenue Board.

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 reserve as at 31 December 2003 subject to the agreement of the Inland Revenue Board.

22. DEFERRED TAX LIABILITIES

At 1 January

Recognised in the income statement (Note 5)

On acquisition of subsidiaries

Arising from revaluation surplus during the year

At 31 December

	GROUP		COMPANY	
	2003	As restated 2002	2003	As restated 2002
	RM'000	RM'000	RM'000	RM'000
7,660	3,113	3,029	3,113	
893	(2,360)	(161)	(84)	
-	6,907	-	-	
713	-	713	-	
9,266	7,660	3,581	3,029	

22. DEFERRED TAX LIABILITIES (CONT'D)

Presented after appropriate offsetting as follows:

Deferred tax assets
Deferred tax liabilities

GROUP		COMPANY	
As restated		As restated	
2003	2002	2003	2002
RM'000	RM'000	RM'000	RM'000
(891)	(2,138)	(432)	(193)
10,157	9,798	4,013	3,222
9,266	7,660	3,581	3,029

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

Deferred tax liabilities of the Group

Capital allowances
Revaluation of property
Others

At 1 January 2003	Recognised in income statements	Charged to equity	At 31 December 2003
RM'000	RM'000	RM'000	RM'000
7,220	229	820	8,269
639	(6)	33	666
1,939	(717)	-	1,222
9,798	(494)	853	10,157

Deferred tax assets of the Group

Unutilised business loss
Other provisions

(1,944)	1,944	-	-
(194)	(557)	(140)	(891)
(2,138)	1,387	(140)	(891)

Deferred tax liabilities of the Company

Capital allowances
Revaluation of property
Others

2,568	(45)	820	3,343
639	(6)	33	666
15	(11)	-	4
3,222	(62)	853	4,013

Deferred tax assets of the Company

Other provisions

(193)	(99)	(140)	(432)
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23. CAPITAL COMMITMENTS

Contracted but not provided for

GROUP		COMPANY	
2003	2002	2003	2002
RM'000	RM'000	RM'000	RM'000
160	316	160	161

24. STAFF COSTS

	GROUP		COMPANY	
	2003	As restated 2002	2003	As restated 2002
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	28,041	27,669	9,779	13,728
Restructuring costs	426	1,595	426	1,595
Severance benefits (Note 18.1)	2,909	2,960	-	-
EPF and Socso	1,375	1,902	929	1,548
Other staff related expenses	1,577	2,187	528	920
	34,328	36,313	11,662	17,791

The staff costs exclude directors' remuneration as disclosed in Note 3(ii).

The number of employees in the Group and the Company at the end of the financial year were 1,234 (2002 : 1,291) and 363 (2002 : 393) respectively.

25. CONTINGENT LIABILITY (UNSECURED)

At 31 December 2003, the Group and the Company have the following contingent payments of up to USD2 million (2002 : USD4 million) [approximately RM7.6 million (2002 : RM15.2 million)] based on the average annual tin price, payable within 21 days of each calendar year end arising from the acquisition of Kajua Mining Corporation Pty. Ltd:

2003: a payment of USD2 million (approximately RM7.6 million) if the average tin price for the 2003 calendar year exceeds USD5,675 per tonne declining to zero if the average tin price does not exceed USD5,075 per tonne; and

2004: a payment of USD2 million (approximately RM7.6 million) if the average tin price for the 2004 calendar year exceeds USD5,675 per tonne declining to zero if the average tin price does not exceed USD5,075 per tonne.

There was no contingent payment in respect of 2003 as the average tin price for the 2003 calendar year did not reach the required levels.

26. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Group	2003	Amount outstanding as at 31/12/2003	2002	Amount outstanding as at 31/12/2002
	RM'000	RM'000	RM'000	RM'000
(a) Sales to an associate Redring Solder (M) Sdn Bhd	12,529	-	11,087	638
(b) Purchases from an associate, Marlborough Resources NL	12,533	-	-	-
(c) Toll smelting charges paid to a corporate shareholder - PT Timah TBK	1,892	-	4,968	-

26. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (CONT'D)

Company	2003	Amount	2002	Amount
	RM'000	outstanding as at 31/12/2003 RM'000	RM'000	outstanding as at 31/12/2002 RM'000
(a) Sales to an associate, Redring Solder (M) Sdn. Bhd.	12,529	-	11,087	638
(b) Purchases from a subsidiary, PT Koba Tin	211,368	-	99,099	-
(c) Purchases from an associate, Marlborough Resources NL	12,533	-	-	-
(d) Interest income receivable from a subsidiary, PT Koba Tin	2,475	2,475	32	32
(e) Loan to a subsidiary Bemban Corporation Ltd. for investment in Kajuara Mining Corp. Pty. Ltd.	-	-	56,509	56,509

The above transactions other than loan to a subsidiary arose in the normal course of business on a negotiated basis.

27. CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group and the Company applied three new MASB Standards, with effect from 1 January 2003, and accordingly modified certain accounting policies. The changes in accounting policies which resulted in prior year adjustments are discussed below:

(i) MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(ii) MASB 29: Employee Benefits

The adoption of MASB 29 resulted in the Group and the Company making provisions for obligations in respect of short-term employee benefits in the form of unutilised annual leave. These obligations were not provided for prior to the adoption of MASB 29. In addition, the adoption of MASB 29 resulted in the Group using the Projected Unit Credit Method instead of the expected future severance benefits discounted to balance sheet date using forecast bond discount rate to calculate the obligation under the defined benefit plans.

In prior year, the Company changed its accounting policy retrospectively to discontinue recognising dividend declared or proposed after the balance sheet date as a liability to comply with MASB 19 : Events after the Balance Sheet Date.

28. PRIOR YEAR ADJUSTMENTS

The changes in accounting policies and adjustment to mine reclamation expenditure [as disclosed in Note 2(m)] have been applied retrospectively and comparatives have been restated. The effects are as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Effect on retained profits				
At 1 January, as previously stated	86,669	68,865	76,914	67,529
Effect of adopting MASB 19	-	6,480	-	6,480
Effect of adopting MASB 25	562	168	562	168
Effect of adopting MASB 29	(2,046)	(930)	(794)	(930)
Adjustment to mine reclamation expenditure [Note 2(m)]	1,331	-	-	-
	(153)	5,718	(232)	5,718
At 1 January, as restated	86,516	74,583	76,682	73,247
Effect on revaluation reserve				
At 1 January, as previously stated	11,468	11,468	11,468	11,468
Effect of adopting MASB 25	(1,806)	(1,806)	(1,806)	(1,806)
At 1 January, as restated	9,662	9,662	9,662	9,662
Effect on reserve on consolidation				
At 1 January, as previously stated	18,460	-	-	-
On acquisition of subsidiaries, as previously stated	-	18,460	-	-
Effect of adopting MASB 29	4,749	4,749	-	-
Adjustment to mine reclamation expenditure [Note 2(m)]	(4,810)	(4,810)	-	-
	(61)	(61)	-	-
At 1 January / on acquisition of subsidiaries, as restated	18,399	18,399	-	-
Effect on deferred taxation				
At 1 January, as previously stated	4,492	1,475	1,785	1,475
Effect of adopting MASB 25	1,244	1,638	1,244	1,638
Effect of adopting MASB 29	1,924	-	-	-
	3,168	1,638	1,244	1,638
At 1 January, as restated	7,660	3,113	3,029	3,113
Effect on net profit for the year				
Net profit before changes in accounting policies and adjustment to mine reclamation expenditure	28,438	23,804	18,832	15,385
Effect of adopting MASB 25	161	394	161	394
Effect of adopting MASB 29	57	(1,116)	(16)	136
Adjustment to mine reclamation expenditure [Note 2(m)]	300	1,331	-	-
	518	609	145	530
Net profit for the year	28,956	24,413	18,977	15,915

28. PRIOR YEAR ADJUSTMENTS (CONT'D)

Comparatives amounts as at 31 December 2002 have been restated as follows:

Group	Previously stated RM'000	Adjustments RM'000	Restated RM'000
Provision for liabilities			
- unutilised annual leave	-	794	794
- mine reclamation expenditure	1,080	4,640	5,720
- severance benefits	23,369	(6,413)	16,956
Deferred tax liabilities	4,492	3,168	7,660
Revaluation reserve	11,468	(1,806)	9,662
Reserve on consolidation	18,460	(61)	18,399
<hr/>			
Company			
Provision for liabilities			
- unutilised annual leave	-	794	794
Deferred tax liabilities	1,785	1,244	3,029
Revaluation reserve	11,468	(1,806)	9,662
<hr/>			

29. FINANCIAL INSTRUMENTS

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(a) Interest Rate Risk

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

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

(b) Foreign Exchange Risk

The Group and the Company have exposure to fluctuations in foreign exchange rates. The Group has foreign exchange rate risk exposure mainly in US Dollar, Australian Dollar and Indonesian Rupiah. Due to concentration of its purchases and sales in US Dollars, there is a natural hedge and the exposure to foreign currency risk is minimised.

29. FINANCIAL INSTRUMENTS (CONT'D)**(b) Foreign Exchange Risk (cont'd)**

The net unhedged financial assets and liabilities of the Group and of the Company as at 31 December 2003 that are not denominated in their functional currencies are as follows:

Group Functional currency	2003		2002 As restated	
	Ringgit Malaysia RM'000	US Dollar RM'000	Ringgit Malaysia RM'000	US Dollar RM'000
Trade receivables				
US Dollar	20,840	-	7,402	-
Other receivables				
US Dollar	-	-	9	-
Indonesian Rupiah	-	8,856	-	11,627
Cash and bank balances				
US Dollar	6,672	-	12,703	-
Indonesian Rupiah	-	2,333	-	1,055
Trade payables				
Indonesian Rupiah	-	2,463	-	2,065
Other payables				
US Dollar	829	-	2,763	-
Australian Dollar	151	-	-	-
Indonesian Rupiah	-	23,246	-	16,710
Trade financing				
US Dollar	90,386	-	33,317	-
Term loans				
US Dollar	28,500	-	38,000	-
Australian Dollar	12,093	-	-	-
Provision for liabilities				
Indonesian Rupiah	-	23,753	-	22,676

31 DECEMBER 2003

29. FINANCIAL INSTRUMENTS (CONT'D)

Company Functional currency	2003 Ringgit Malaysia RM'000	2002 Ringgit Malaysia RM'000
Trade receivables US Dollar	20,840	7,402
Cash and bank balances US Dollar	6,672	12,703
Other payables US Dollar Australian Dollar	829 151	2,763 —
Trade financing US Dollar	90,386	33,317
Term loans US Dollar Australian Dollar	28,500 12,093	38,000 —

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

Currency	Maturities			Total notional amount RM'000	
	Within 1 year RM'000	1 year up to 5 years RM'000	5 years or more RM'000		
At 31 December 2003					
Forwards used to hedge anticipated sales	USD	138,334	—	—	138,334
Forwards used to hedge anticipated purchases	USD	74,860	—	—	74,860
		213,194	—	—	213,194
At 31 December 2002					
Forwards used to hedge anticipated sales	USD	9,066	—	—	9,066
Forwards used to hedge anticipated purchases	USD	2,937	—	—	2,937
		12,003	—	—	12,003

29. FINANCIAL INSTRUMENTS (CONT'D)

The net unrecognised gains as at 31 December 2003 on forward contracts used to hedge anticipated sales and purchases which are expected to occur during 2004 of the Group and of the Company amounted to RM473,000 (2002 : RM20,000) and RM15,502,000 (2002: RM Nil) respectively and are deferred until the related sales and purchases occur, at which time they will be included in the measurement of the sales and purchases.

(c) Credit Risk

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

(d) Liquidity Risk

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

(e) Fair Values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

(i) Cash, Bank Balances, Deposits, Other Receivables and Other Payables

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

(ii) Trade Receivables, Trade Payables and Bank Borrowings

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

(iii) Amounts due from/to Subsidiaries and Associates

No disclosure of their fair values is made for amounts due from/to subsidiaries and associates, as it is not practical to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.

30. SEGMENTAL INFORMATION

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

The following table presents the financial information by geographical segments:

	Revenue		Total assets		Profit before taxation	
	2003	As restated	2003	As restated	2003	As restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	436,825	460,806	255,251	205,776	8,508	23,558
Indonesia	346,552	258,651	214,034	159,874	46,884	15,702
Others	-	-	16,786	4	(2,143)	(70)
	783,377	719,457	486,071	365,654	53,249	39,190

31. SIGNIFICANT EVENTS

(1) On 27 February 2003, the Company entered into Agreements with Marlborough Resources NL (MBG), a company incorporated in Australia, in respect of the following transactions:

- (i) subscribe for 99,593,000 fully paid ordinary shares of AUD0.05 each, for a total purchase consideration of RM11,353,602 (AUD4,979,650), representing a 30% equity interest in the enlarged issued and paid up share capital of MBG.
- (ii) purchase for 6,857,000 unsecured redeemable convertible notes of AUD0.05 each, with a maturity period until 22 April 2006, for a total cash consideration of RM784,098 (AUD342,850). The unsecured redeemable convertible notes carry a coupon rate of 10% per annum which is convertible into fully paid ordinary shares and exercisable once only at a price of:
 - (a) AUD0.07 on or before the first anniversary of the issue date;
 - (b) AUD0.09 on or before the second anniversary of the issue date; and
 - (c) AUD0.12 on or before the third anniversary of the issue date.

The convertible notes can be redeemed prior to maturity date, which is the first anniversary of its issue date. Each convertible note has one attaching option which can be converted into one fully paid ordinary share at the option exercise price indicated above.

The acquisition of the 30% equity interest in MBG was completed on 22 April 2003.

- (iii) On 24 October 2003, the Company exercised its entitlement to purchase rights issue of Marlborough Resources NL for additional 33,197,666 ordinary shares at the issue price of AUD0.043 each for a total cash consideration of RM3,738,173 (AUD1,427,500).

31. SIGNIFICANT EVENTS (CONT'D)

- (2) On 16 May 2003, the Company entered into a conditional Sale and Purchase Agreement for the proposed acquisition of a 25% equity interest in ZR Minerals Sdn Bhd. One of the conditions precedent is the renewal of the relevant mining leases in Kijang Intan, Perak operated by Rahman Hydraulic Tin Berhad (Special Administrators Appointed) and which expired on 31 December 2003. As at todate, the lease renewal is still under consideration by the Perak State Government.
- (3) On 29 December 2003, the Company entered into a strategic cooperation agreement with an Indonesian based company. This will enable the Company to undertake extensive exploration for new tin deposits and reserves under a production sharing arrangement over approximately 15,000 hectares of prospective areas in Bangka Island, Indonesia. The Company has the right to assign the agreement to its Indonesian subsidiary.

32. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with previous financial year except that certain comparative amounts have been adjusted as a result of changes in accounting policies as disclosed in Note 2(a) and Note 27.

33. SUBSEQUENT EVENT

In January 2004, the Company incorporated a wholly-owned subsidiary PT MSC Indonesia, in Indonesia to undertake the strategic cooperation agreement entered into by the Company on 29 December 2003.

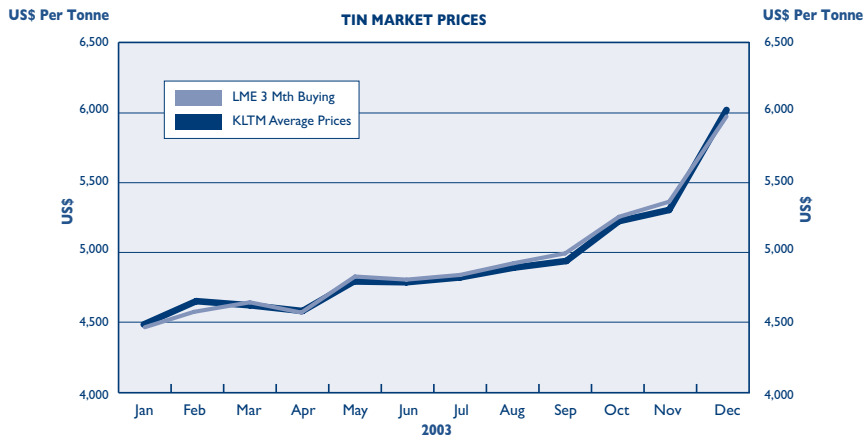
LIST OF PROPERTIES OF THE GROUP

31 December 2003

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31-12-03 RM'000	Date of last revaluation/ acquisition
Malaysia							
1. 27 Jalan Pantai 12000 Butterworth							
a) Lot 142-187 and 362	Land with offices and factory buildings	12.5 acres	Freehold	–	2 – 50 years	23,363	2003
b) Lot 268	Land with offices and factory buildings	45,575 sq. ft.	Leasehold	2028	2 – 50 years	592	2003
c) Lot 263	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2006	NA	45	2003
2. Lot 1199 Mukim 12, Daerah Seberang Perai Tengah							
	Vacant land	13.40 acres	Freehold	–	NA	4,660	2003
3. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur							
	Office premises	4,629 sq. ft.	Freehold	–	4 years	1,100	2003
4. Taman Desa Palma Alma 14000 Bukit Mertajam							
	80 units of flats	52,000 sq. ft.	Freehold	–	3 years	4,400	2003
5. Lot 1202, 1203 & 1439, Mukim 12, Daerah Seberang Perai Tengah							
	Vacant land	81.67 acres	Freehold	–	NA	21,000	2003
Indonesia							
6. PT Koba Tin Bangka Island							
	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	6 – 31 years	39	1997

	*KLTM PRICES			KLTM	LME 3 MONTHS BUYING
	HIGHEST	LOWEST	AVERAGE	TURNOVER (TONNES)	AVERAGE US\$ PER TONNE
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
2002*	4,500	3,647	4,064	17,176	4,086
2003*	6,610	4,251	4,890	12,426	4,900
2003					
January	4,590	4,251	4,443	1,064	4,454
February	4,825	4,410	4,634	711	4,595
March	4,705	4,525	4,617	827	4,615
April	4,680	4,500	4,582	850	4,576
May	4,800	4,630	4,730	860	4,749
June	4,830	4,620	4,725	701	4,710
July	4,821	4,610	4,748	984	4,755
August	4,866	4,765	4,818	1,032	4,840
September	5,010	4,820	4,873	1,309	4,926
October	5,350	4,965	5,208	1,526	5,242
November	5,450	5,180	5,292	1,168	5,340
December	6,610	5,500	6,007	1,394	5,997

* Tin Prices for KLTM for the year 1996 to 2000 are stated in Ringgit per kg and in USD per tonne for the year 2001 onwards



**PRODUCTION OF TIN-IN-CONCENTRATES
IN MALAYSIA**

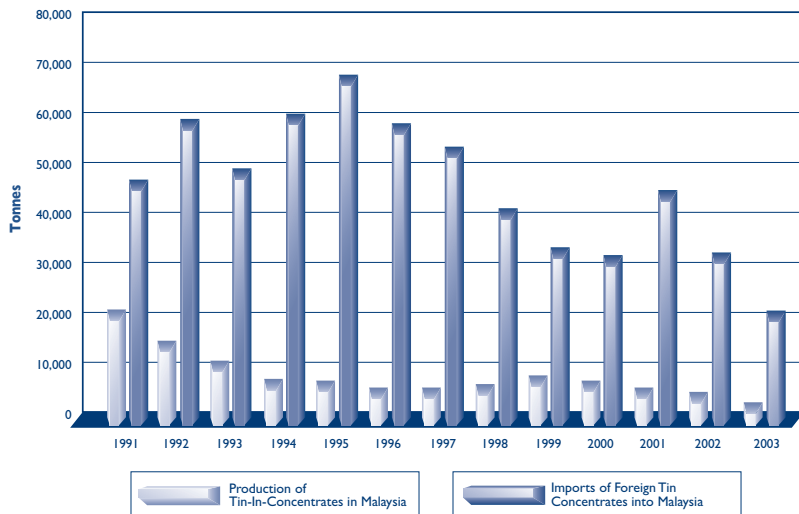
YEAR	TONNES
1991	20,710
1992	14,339
1993	10,384
1994	6,517
1995	6,403
1996	5,176
1997	5,060
1998	5,764
1999	7,340
2000	6,307
2001	4,972
2002	4,215
2003	3,358

**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
2002	31,788
2003	20,183

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

MALAYSIA PRODUCTION AND IMPORT OF TIN CONCENTRATES



Deliveries of Refined Tin From Penang

(Tonnes Refined Tin by reported destination)

DESTINATION	1998	1999	2000	2001	2002	2003
Africa	1,250	1,322	1,232	1,508	1,362	1,031
Australia & New Zealand	283	233	332	539	1,558	1,757
China	4	–	86	20	60	140
EEC (incl. UK)	10,706	11,558	7,361	10,751	1,487	1,165
India, Pakistan & Bangladesh	2,339	2,106	1,984	3,275	1,073	352
Japan	2,299	3,395	2,940	1,499	1,735	1,723
Middle East	958	360	888	1,139	845	805
Taiwan	1,636	2,561	1,030	1,060	709	680
Korea	1,355	1,369	4,030	3,499	7,303	4,466
Rest of Asia Pacific	106	136	64	62	76	11
Singapore	377	665	575	3,612	10,749	2,664
South America	100	–	–	6	8	–
USA	657	416	67	482	125	263
	22,070	24,121	20,589	27,452	27,091	15,057
MALAYSIA (domestic consumption)	4,747	5,087	5,076	3,518	3,339	3,444
TOTAL	26,817	29,208	25,665	30,970	30,430	18,501

**LME AND U.S. DLA'S STOCKS & DISPOSALS
(IN TONNES)**

PERIOD END	LME STOCKS *	DLA STOCKS #	DLA DISPOSALS #
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	27,485	65,839	6,500
2002	25,610	57,027	8,812
2003			
1st Quarter	25,255	56,767	260
2nd Quarter	20,595	56,767	–
3rd Quarter	14,760	48,551	8,216
4th Quarter	14,475	48,551	–

Sources: * Metal Bulletin

US Bureau of Mines / Tin International

SHAREHOLDINGS STATISTICS

As at 31 March 2004

Analysis of Shareholdings

Size of Holdings

Less than 100 shares
100 to 1,000
1,001 to 10,000
10,001 to 100,000
100,001 to less than 5% of issued shares
5% and above of issued shares
Total

No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1	0.06	33	0.00
1,076	59.61	1,048,667	1.40
619	34.29	2,304,300	3.07
87	4.82	2,597,900	3.46
20	1.11	12,879,100	17.17
2	0.11	56,170,000	74.89
1,805	100.00	75,000,000	100.00

Thirty Largest Shareholders

Name	No. of Shares Held	% of Issued Capital
1 Mayban Nominees (Asing) Sdn Bhd 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 (PAR I)	3,368,440	4.49
4 HSBC Nominees (Asing) Sdn Bhd BNY Brussels for The Great Eastern Life Assurance Co Ltd	3,108,000	4.14
5 Mayban Nominees (Asing) Sdn Bhd Baxterley Holdings Private Limited	1,145,000	1.53
6 Pui Cheng Wui	1,116,600	1.49
7 Mayban Nominees (Asing) Sdn Bhd Sword Investments Private Limited	760,000	1.01
8 Anglo-Oriental (Annuities) Sdn Bhd	564,000	0.75
9 Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (NON PAR I)	448,560	0.60
10 Ibrahim bin Menudin	315,000	0.42
11 Gan Ah Kow	307,600	0.41
12 Mayban Securities Nominees (Tempatan) Sdn Bhd Ab. Sukor Bin Shahar	262,000	0.35
13 RMT Metals Sdn Bhd	245,000	0.33
14 Malaysia Nominees (Tempatan) Sendirian Berhad Wan Holdings Sdn Bhd	215,000	0.29
15 Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	186,000	0.25

Thirty Largest Shareholders (cont'd)

Name	No. of Shares Held	% of Issued Capital
16 Abdul Malik bin Abdul Kadir	170,000	0.23
17 Mayban Nominees (Tempatan) Sdn Bhd Md Ajib bin Hj Anuar	150,000	0.20
18 Mrs Winnie Hamzah Sendut	132,000	0.18
19 Durabeau Corporation Sdn Bhd	130,000	0.17
20 Wong Kum Fatt	130,000	0.17
21 RHB Capital Nominees (Tempatan) Sdn Bhd Susy Ding (CEB)	112,000	0.15
22 Chin Tong Leong	107,100	0.14
23 Cartaban Nominees (Asing) Sdn Bhd Mr Royston P Holmes	100,000	0.13
24 Howe Yoon Chong	100,000	0.13
25 Mayfin Nominees (Tempatan) Sdn Bhd Md Ajib Bin Hj Anuar	100,000	0.13
26 Ta Nominees (Tempatan) Sdn Bhd Siew Nim Chee & Sons Sendirian Berhad	100,000	0.13
27 Wong Kam Mun	78,000	0.10
28 Mutual Way Development & Construction Sdn Bhd	75,900	0.10
29 HLB Nominees (Tempatan) Sdn Bhd Lee Toon Hian	75,000	0.10
30 Redring Solder (Malaysia) Sdn Bhd	74,000	0.10
Total	69,845,200	93.13

Substantial Shareholders as at 31 March 2004

Shareholders	Direct (No of Shares)	Percentage %	Deemed Interest (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. Great Eastern Life Assurance Co. Ltd.	3,108,000	4.14	3,817,000	5.09
4. Overseas-Chinese Banking Corporation Limited	—	—	6,925,000	9.23
5. Great Eastern Holdings Limited	—	—	6,925,000	9.23

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 Monday 24 May 2004 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	Re-election of Directors: YBhg. Dato' Wira Syed Abdul Jabbar bin Syed Hassan		
3	Reappointment of Directors: a) YBhg. Jen. (B) Tun Ibrahim bin Datuk Ismail b) Mr Choi Siew Hong c) YBhg. Dato' Siew Nim Chee		
4	Approval of Directors' Fee		
5	Reappointment of Auditors		

Dated this _____ day of _____, 2004

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

Affix
Postage
Here

To:

The Company Secretary

MALAYSIA SMELTING CORPORATION BERHAD

27 Jalan Pantai

12000 Butterworth,

Penang, Malaysia.

(Co. No. 43072-A)

Fold along this line