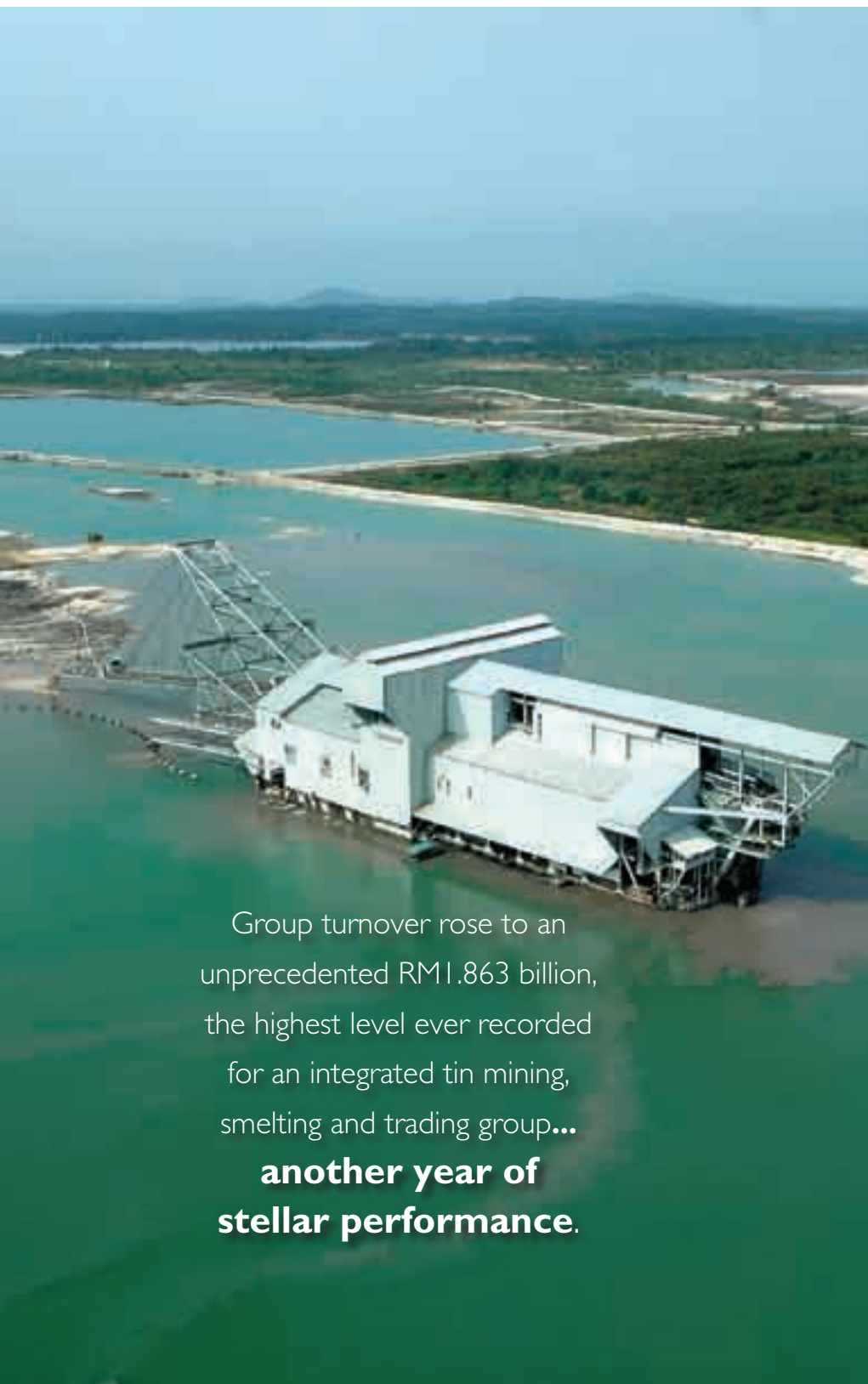


## STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER



Group turnover rose to an unprecedented RM1.863 billion, the highest level ever recorded for an integrated tin mining, smelting and trading group...  
**another year of stellar performance.**

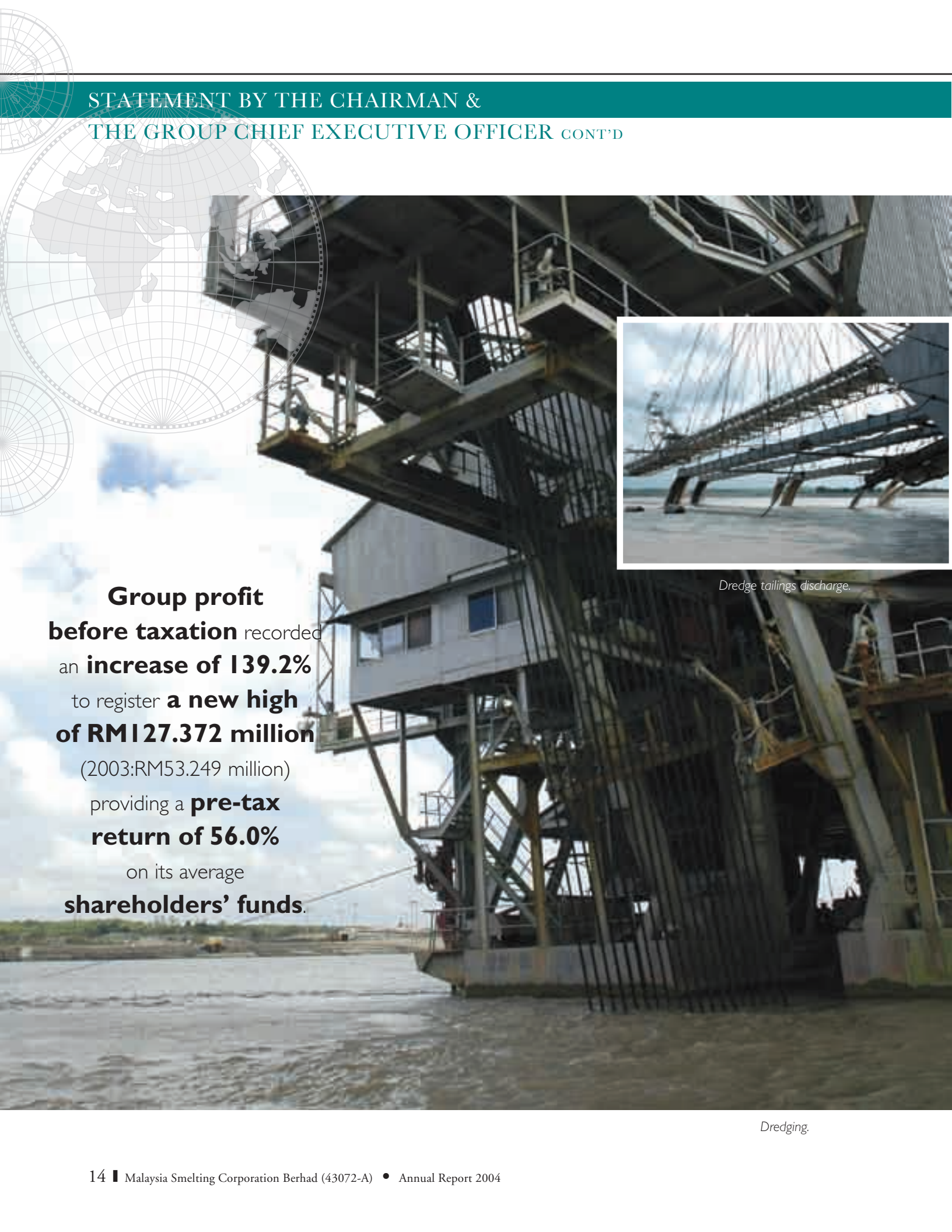
On behalf of the Board of Directors, we are pleased to present the Annual Report and Financial Statements of Malaysia Smelting Corporation Berhad, its subsidiaries and associated companies (the Group) for the year ended 31 December 2004.

### Results

The Group delivered another year of stellar performance. Operating results benefited from a significant improvement in global tin prices, an increase in the Group's smelting capacity, expansion in international marketing and commercial networks, and enhanced operating efficiencies.

Group turnover rose 137.9% to an unprecedented RM1.863 billion (2003: RM0.783 billion), the highest level ever recorded for an integrated tin mining, smelting and trading group. Group profit before taxation recorded an increase of 139.2% to register a new high of RM127.372 million (2003: RM53.249 million) providing a pre-tax return of 56.0% on its average shareholders' funds. Group profit after taxation was 118.8% higher, reaching RM81.460 million (2003: RM37.230 million). The earnings per share improved to 81.4 sen (2003: 38.6 sen). Shareholders' funds had increased to RM248.435 million by the end of 2004 (2003: RM206.933 million).

STATEMENT BY THE CHAIRMAN &  
THE GROUP CHIEF EXECUTIVE OFFICER CONT'D



**Group profit before taxation** recorded an **increase of 139.2%** to register a **new high of RM127.372 million** (2003:RM53.249 million) providing a **pre-tax return of 56.0%** on its average **shareholders' funds.**



*Dredge tailings discharge.*

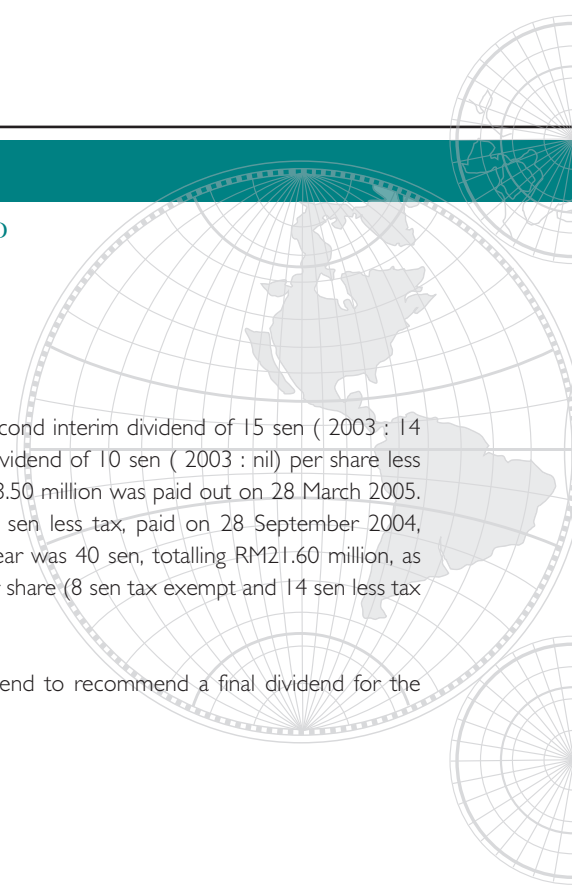
*Dredging.*

# STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER CONT'D

## Dividends

On 23 February 2005, the Board declared a second interim dividend of 15 sen (2003 : 14 sen) per share less tax and a special interim dividend of 10 sen (2003 : nil) per share less tax. After deducting tax at 28%, a total of RM13.50 million was paid out on 28 March 2005. Together with the first interim dividend of 15 sen less tax, paid on 28 September 2004, the total dividend declared and paid, for the year was 40 sen, totalling RM21.60 million, as compared with the 2003 dividend of 22 sen per share (8 sen tax exempt and 14 sen less tax at 28%) totalling RM13.56 million.

In these circumstances the Board does not intend to recommend a final dividend for the year 2004.



*Circular primary jigs.*



*Dredge buckets on rollers.*

## STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER CONT'D

### Operations

The Group achieved all round improvements in the mining, smelting, marketing and trading activities of both the Malaysian and the Indonesian operations. The expansion of PT Koba Tin's smelting capacity in February 2004 boosted Koba's production of tin metal by about 24.8% to 23,530 tonnes. The Butterworth smelting and refining operations produced a total of 33,740 tonnes of tin metal, up by 85.3% from last year's level of 18,210 tonnes. The Group's combined production of 57,270 tonnes of tin metal strategically positions it today as the world's largest supplier of tin metal and tin-based products, having contributed about 18% to the world's production in 2004.

At PT Koba Tin, two gravel pump mining operations successfully commenced production in the middle of the year whilst the dredging operations continued to mine for tin concentrates throughout the year at a very low unit cost of production. The Group's commercial division expanded its international marketing and trading networks particularly in China, Taiwan, Korea and Europe with gratifying returns. However, performance at the Ardlethan's small-scale tin mining operations in Australia undertaken by the Company's associate, Australia Oriental Minerals NL (AOM), formerly known as Marlborough Resources NL, was disappointingly below the Group's expectations. Due to continuing losses, a decision was taken in mid-2004 to close down the mine. AOM is being recapitalised and will focus on exploration and development of prospective and potential mining areas within and outside Australia.



*Pre-stripping works.*



*Pan American jigs.*



*Mineral processing plant at gravel pump mining operations.*

STATEMENT BY THE CHAIRMAN &  
THE GROUP CHIEF EXECUTIVE OFFICER CONT'D



The Group's combined production of 57,270 tonnes of tin metal strategically positions it today as **the world's largest supplier of tin metal and tin-based products...**

*PT Koba tin smelting plant.*

*Furnace Tapping.*



## STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER CONT'D

### Development and Exploration

The Group's expansion strategy continues to focus on undertaking exploration for new tin reserves as well as strategic acquisitions of quality exploration and mining assets. Encouraging results have been achieved from the Group's ongoing exploration programme in Indonesia under the exploration and production sharing agreement between its wholly-owned subsidiary, PT MSC Indonesia and an Indonesian based company, PT Mitra Stania Prima. A total expenditure of RM7.0 million was spent during the year. A total reserve of close to 15,000 tonnes new tin deposits has been identified, which could support medium-scale mining operations. On 2 March 2005, PT MSC Indonesia entered into three new exploration and production sharing agreements with PT Mutiara Prima Sejahtera, PT Permata Mustika Rajawali and PT Prima Stania Nusantara which would give exploration access to a total prospective area of approximately 6,225 hectares in Bangka Island, Indonesia. Exploration for new tin deposits over these areas is expected to commence in the second quarter of 2005 for which a total exploration budget of RM9.58 million has been allocated.

A significant strategic development at the end of 2004 was the successful acquisition of Malaysia's long established and profitable tin mining company, Rahman Hydraulic Tin Sdn. Bhd. which operates an open pit alluvial tin mining operation in Klian Intan, Perak. The acquisition, completed in November 2004, is expected to make a positive contribution towards the Group's earnings from 2005 onwards.

### Outlook

The Board is optimistic of the long-term prospects of the global tin industry. On this premise, the Group will continue to leverage on its core competencies in mining, smelting, marketing and the trading of tin metal and tin-based products to achieve its long-term growth objective. Tin prices have fallen compared with the average price for the second half of 2004 and with the current high fuel prices, it may be difficult to sustain the earnings level achieved in 2004. Nevertheless, the Group expects to achieve a reasonable level of earnings in 2005.

### Corporate Governance

The Board is committed to high standards of corporate governance to safeguard the interests of shareholders and stakeholders. The statement on corporate governance included in this Annual Report describes how the Company applies the principles of corporate governance in compliance with the Principles and Best Practices set out in the Malaysian Code on Corporate Governance.

STATEMENT BY THE CHAIRMAN &  
THE GROUP CHIEF EXECUTIVE OFFICER CONT'D



*Exploration works undertaken by  
PT MSC Indonesia.*

The Group's expansion strategy continues to focus on undertaking exploration of new tin reserves as well as **strategic acquisitions of quality exploration and mining assets** - a total expenditure of RM7.0 million was spent during the year.

STATEMENT BY THE CHAIRMAN &  
THE GROUP CHIEF EXECUTIVE OFFICER CONT'D



*Drilling programme at Rahman Hydraulic Tin Sdn Bhd.*

# STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER CONT'D

## Internal Control

The Board has overall responsibility for the Group's internal control and risk management systems and for reviewing their effectiveness. These procedures, aimed to safeguard assets, ensure proper accounting records are maintained, so that the financial information, pertaining to the business and for publication, are transparent and reliable. The risk management procedures are designed to manage key vulnerabilities. However, they cannot eliminate all the commercial risks and guarantee there will be no shortfall in achieving the business objectives.

Risk in today's world moreover is multifaceted. We are pleased to report that the Group has instituted an on-going process for identifying, evaluating and managing the significant risks endemic to our industry. The Statement on Internal Control in this Annual Report, reports on the process now in place and regularly reviewed by the Board and Board Committees.

## Other Matters

The Company is currently the subject of an unconditional take-over offer by Straits Trading Amalgamated Resources Sdn Bhd, a wholly-owned subsidiary of The Straits Trading Company Limited (STC). On 17 March 2005, the STC Group had increased its equity interest in the Company from 48.19% to 50.20% and the Company had become a subsidiary of STC.

## Acknowledgement

On behalf of the members of the Board, we would like to take this opportunity to thank the shareholders for their continued support and loyalty. The management and the staff are to be congratulated on their commitment, dedication and perseverance towards ensuring the success of the Group. Our heartfelt gratitude also goes to our customers, suppliers, bankers, business associates, all our stakeholders and the various relevant authorities for their cooperation and continued support. Finally we would also like to record our appreciation to our colleagues on the Board for their invaluable contribution throughout the year.



Tin ingot bundles.

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

**Dato' Dr Mohd Ajib Anuar**  
*Group CEO/Executive Director*

28 March 2005