


# FINANCIAL STATEMENTS



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# 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 2004.

## 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 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 the principal activities during the financial year other than the following:

- (a) the incorporation of a wholly-owned subsidiary, PT MSC Indonesia to carry on tin exploration and mining operations in Indonesia;
- (b) the commencement of the business of property holding and rental by a dormant wholly-owned subsidiary, MSC Properties Sdn. Bhd.; and
- (c) the acquisition of a 100% equity interest in Rahman Hydraulic Tin Sdn. Bhd., a tin mining company in Malaysia.

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit after taxation	<b>81,460</b>	<b>43,727</b>
Minority interests	<b>(20,415)</b>	<b>-</b>
Net profit for the year	<b>61,045</b>	<b>43,727</b>

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 except as disclosed in Note 11 to the financial statements.

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2003 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2003 as reported in the Directors' Report of that year: Second interim dividend of 14 sen per share less tax at 28 % paid on 28 March 2004	<b>7,560</b>
In respect of the financial year ended 31 December 2004: Interim dividend of 15 sen per share less tax at 28 % paid on 28 September 2004	<b>8,100</b>

On 23 February 2005, the Directors declared the payment of a second interim dividend of 15 sen and a special interim dividend of 10 sen per share, less tax at 28% totaling RM13.5 million for the financial year ended 31 December 2004. These dividends were paid on 28 March 2005 to shareholders registered on the Company's register of members at the close of business at 5.00 pm on 15 March 2005. The Directors do not intend to propose a final dividend for the financial year ended 31 December 2004.

The financial statements for the current financial year do not reflect these declared dividends. These will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

### 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)  
Mr Choi Siew Hong  
Mr 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' Ismail bin Shahudin 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 3(ii) and Note 28 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:

The Company	Number of ordinary shares of RM1 each			
	1 January 2004	Bought	Sold	31 December 2004
<b>Direct interest</b>				
Jeneral (B) Tun Ibrahim bin Datuk Ismail	10,000	–	–	10,000
Dato' Dr Mohd Ajib Anuar	250,000	–	–	250,000
Mr Choi Siew Hong	10,000	–	–	10,000
Mr Norman Ip Ka Cheung	10,000	100,000	10,000	100,000
<b>Indirect interest</b>				
Dato' Siew Nim Chee	77,500	76,300	–	153,800
Dato' Wira Syed Abdul Jabbar bin Syed Hassan	–	2,000	–	2,000

## 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) it necessary to write off 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.

## OTHER STATUTORY INFORMATION (CONT'D)

- (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 liabilities as disclosed in Note 27 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

The following were other significant events during the financial year:

- (a) The Company incorporated a wholly-owned subsidiary, PT MSC Indonesia to carry on tin exploration and mining operations in Indonesia;
- (b) Telminex NL, a wholly-owned tin mining subsidiary of an associate Australia Oriental Minerals NL (formerly known as Marlborough Resources NL), was placed under special administration;
- (c) The commencement of the business of property holding and rental by a wholly-owned subsidiary, MSC Properties Sdn. Bhd.; and
- (d) The Company acquired a 100% equity interest in Rahman Hydraulic Tin Sdn. Bhd., a tin mining company in Malaysia.

## SUBSEQUENT EVENTS

The following were events subsequent to balance sheet date:

- (a) On 17 February 2005, the Company received a Notice of Mandatory Offer from Commerce International Merchant Bankers Berhad, on behalf of Straits Trading Amalgamated Resources Sdn. Berhad [STAR (M)], an indirect wholly-owned subsidiary of The Straits Trading Company Limited (STC) to acquire 16,361,000 ordinary shares representing 21.8% of the issued and paid-up share capital in the Company not already owned by STAR (M). As of that date, the equity interest of STC Group including STAR (M) in the Company was 48.19%. Subsequently as at 17 March 2005, the equity interest of STC Group including STAR (M) in the Company was increased from 48.19% to 50.20%, making STC the ultimate holding company of Malaysia Smelting Corporation Berhad.
- (b) On 2 March 2005, PT MSC Indonesia a wholly-owned subsidiary of the Company entered into joint cooperation agreements with 3 Indonesian companies enabling it to explore for tin deposits in prospective alluvial tin areas in Bangka Island, Indonesia.

## 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:



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



**DATO' DR MOHD AJIB ANUAR**

Kuala Lumpur, Malaysia

Date: 28 March 2005

## 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 52 to 95 are drawn up in accordance with applicable MASB 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 2004 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**



**DATO' DR MOHD AJIB ANUAR**

Kuala Lumpur, Malaysia

Date: 28 March 2005

## 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 52 to 95 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  
Georgetown in the State of Penang on  
28 March 2005



**YAP FOOK PING**

Before me,

**CHAI CHOON KIAT** PJM  
P073

Commissioner for Oaths,  
Penang

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

We have audited the accompanying financial statements set out on pages 52 to 95. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 2004 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

Kuala Lumpur, Malaysia  
Date: 28 March 2005

**MOHD. SUKARNO BIN TUN SARDON**  
1697/03/07 (J)  
Partner

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	3	<b>1,862,530</b>	783,377	<b>1,613,885</b>	641,512
Profit from operations	3	<b>150,936</b>	58,054	<b>57,041</b>	24,044
Finance costs	4	<b>(4,869)</b>	(2,731)	<b>(4,825)</b>	(2,731)
Share of results of associates		<b>(18,695)</b>	(2,074)	-	-
Profit before taxation		<b>127,372</b>	53,249	<b>52,216</b>	21,313
Taxation	5	<b>(45,912)</b>	(16,019)	<b>(8,489)</b>	(2,336)
Profit after taxation		<b>81,460</b>	37,230	<b>43,727</b>	18,977
Minority interests		<b>(20,415)</b>	(8,274)	-	-
Net profit for the year		<b>61,045</b>	28,956	<b>43,727</b>	18,977
Earnings per share - (sen)					
Basic	6	<b>81.4</b>	38.6		
Net dividends paid per share - (sen)	7	<b>20.9</b>	18.0	<b>20.9</b>	18.0

The accompanying notes form an integral part of the financial statements

# BALANCE SHEETS

AS AT 31 DECEMBER 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8	119,725	113,864	35,421	60,090
Base inventory	9	3,000	3,000	3,000	3,000
Investment in subsidiaries	10	–	–	18,366	–
Investment in associates	11	14,669	30,616	10,473	26,504
Other investments	12	1,108	–	1,108	–
Other assets	13	5,633	–	–	–
Goodwill on consolidation	10	9,922	–	–	–
		<b>154,057</b>	147,480	<b>68,368</b>	89,594
<b>CURRENT ASSETS</b>					
Inventories	14	267,429	211,038	94,151	73,245
Trade receivables	15	112,432	36,001	110,204	34,040
Other receivables	16	22,745	10,747	3,290	1,655
Tax recoverable		119	9	–	8
Amount due from subsidiaries	10.1	–	–	117,781	88,651
Amount due from an associate	11.1	678	2,536	678	2,536
Cash, bank balances and deposits	17	112,981	78,260	81,653	68,053
		<b>516,384</b>	338,591	<b>407,757</b>	268,188
<b>CURRENT LIABILITIES</b>					
Trade payables	18	16,339	17,828	7,627	15,365
Other payables	19	39,355	15,459	10,687	5,599
Provisions for liabilities	20	4,562	1,902	746	778
Amount due to a subsidiary	10.1	–	–	83	88
Amount due to an associate	11.2	1,000	1,000	1,000	1,000
Taxation		32,390	12,183	4,411	–
Borrowings	21	241,327	139,433	241,327	139,433
		<b>334,973</b>	187,805	<b>265,881</b>	162,263
<b>NET CURRENT ASSETS</b>					
		<b>181,411</b>	150,786	<b>141,876</b>	105,925
		<b>335,468</b>	298,266	<b>210,244</b>	195,519
<b>FINANCED BY:</b>					
Share capital	22	75,000	75,000	75,000	75,000
Reserves	23	173,435	131,933	117,812	88,862
Shareholders' equity		<b>248,435</b>	206,933	<b>192,812</b>	163,862
Minority interests		38,454	31,362	–	–
		<b>286,889</b>	238,295	<b>192,812</b>	163,862
<b>NON-CURRENT LIABILITIES</b>					
Provisions for liabilities	20	27,080	22,629	–	–
Deferred tax liabilities	24	5,646	9,266	1,579	3,581
Borrowings	21	15,853	28,076	15,853	28,076
		<b>48,579</b>	59,971	<b>17,432</b>	31,657
		<b>335,468</b>	298,266	<b>210,244</b>	195,519

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2004

Group	Note	Share capital RM'000	Non-Distributable				Distributable	Total shareholders' funds RM'000
			Capital reserve RM'000	Reserve on consolidation RM'000	Revaluation reserve RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	
<b>At 1 January 2003</b>		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)
<b>At 31 December 2003</b>		75,000	1,706	18,399	9,194	662	101,972	206,933
<b>At 1 January 2004</b>		<b>75,000</b>	<b>1,706</b>	<b>18,399</b>	<b>9,194</b>	<b>662</b>	<b>101,972</b>	<b>206,933</b>
Foreign exchange differences representing net gains not recognised in the income statement		–	–	–	–	636	–	636
Contingent payment for acquisition of a subsidiary		–	–	(4,519)	–	–	–	(4,519)
Net profit for the year		–	–	–	–	–	61,045	61,045
Dividends	7	–	–	–	–	–	(15,660)	(15,660)
<b>At 31 December 2004</b>		<b>75,000</b>	<b>1,706</b>	<b>13,880</b>	<b>9,194</b>	<b>1,298</b>	<b>147,357</b>	<b>248,435</b>

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF CHANGES IN EQUITY CONT'D

FOR THE YEAR ENDED 31 DECEMBER 2004

Company	Note	← Non-Distributable →			Distributable	Total RM'000
		Share capital RM'000	Revaluation reserve RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	
<b>At 1 January 2003</b>		75,000	9,662	–	76,682	161,344
Revaluation surplus for the year		–	245	–	–	245
Foreign exchange differences representing net losses not recognised 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)
<b>At 31 December 2003</b>		<b>75,000</b>	<b>9,194</b>	<b>(2,491)</b>	<b>82,159</b>	<b>163,862</b>
<b>At 1 January 2004</b>		<b>75,000</b>	<b>9,194</b>	<b>(2,491)</b>	<b>82,159</b>	<b>163,862</b>
Realisation of revaluation surplus on disposal of property, plant and equipment		–	(6,463)	–	6,463	–
Realisation of deferred tax on disposal of property, plant and equipment		–	712	–	–	712
Foreign exchange differences representing net gain not recognised in the income statement		–	–	171	–	171
Net profit for the year		–	–	–	43,727	43,727
Dividends	7	–	–	–	(15,660)	(15,660)
<b>At 31 December 2004</b>		<b>75,000</b>	<b>3,443</b>	<b>(2,320)</b>	<b>116,689</b>	<b>192,812</b>

The accompanying notes form an integral part of the financial statements

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	127,372	53,249	52,216	21,313
Adjustments for:				
Depreciation	13,598	10,040	1,634	1,589
Deferred exploration expenditure written off	1,357	–	–	–
Interest expense	4,854	2,716	4,810	2,716
Provision for diminution in value of investment	1,558	–	20,330	–
Provision for severance benefits	1,419	2,909	–	–
Provision for inventory obsolescence	1,596	135	–	–
Provision/(Reversal of provision) for unutilised annual leave	94	–	(32)	–
Specific provision for doubtful debts	4,735	3,000	4,735	3,000
Dividend income	–	–	(39,716)	(12,802)
Provision/(Reversal of provision) for mine rehabilitation	6,258	(300)	–	–
Loss/(Gain) on disposal of property, plant and equipment	4	(221)	(396)	(99)
Interest income	(2,934)	(1,362)	(6,828)	(3,703)
Share of associates' results	18,695	2,074	–	–
<b>Operating profit before working capital changes</b>	<b>178,606</b>	<b>72,240</b>	<b>36,753</b>	<b>12,014</b>
Increase in inventories	(57,528)	(79,403)	(20,906)	(13,753)
Increase in receivables	(87,626)	(7,179)	(78,147)	(22,741)
Increase in amount due from subsidiaries	–	–	(2,892)	(27,709)
Increase in amount due from an associate	(2,515)	(1,898)	(2,515)	(1,898)
Increase/(Decrease) in payables	13,851	7,955	(3,068)	9,979
Decrease in amount due to a subsidiary	–	–	(5)	(1)
Cash generated from/(used in) operations	44,788	(8,285)	(70,780)	(44,109)
Income tax paid	(31,195)	(2,559)	(5,359)	(2,559)
Interest paid	(4,228)	(2,716)	(4,392)	(2,500)
Severance benefits paid	(660)	(1,702)	–	–
<b>Net cash from/(used in) operating activities carried forward</b>	<b>8,705</b>	<b>(15,262)</b>	<b>(80,531)</b>	<b>(49,168)</b>

The accompanying notes form an integral part of the financial statements

# CASH FLOW STATEMENTS CONT'D

FOR THE YEAR ENDED 31 DECEMBER 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Net cash from/(used in) operating activities brought forward</b>	<b>8,705</b>	(15,262)	<b>(80,531)</b>	(49,168)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of subsidiaries (Note 10)	(15,105)	–	(18,366)	–
Purchase of shares in an associate	(4,299)	(16,031)	(4,299)	(16,031)
Purchase of other investment	(1,108)	–	(1,108)	–
Gross dividend received from an associate	140	93	140	93
Gross dividend received from a subsidiary	–	–	39,576	12,709
Interest received	2,919	1,400	4,576	3,741
Purchase of property, plant and equipment	(12,200)	(11,018)	(657)	(596)
Payment of deferred exploration expenditure	(6,990)	–	–	–
Proceeds from disposal of property, plant and equipment	210	3,118	87	106
Net cash (used in)/from investing activities	<b>(36,433)</b>	(22,438)	<b>19,949</b>	22
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Borrowings from short term trade financing	101,740	77,159	101,740	77,159
Borrowing from term loans	–	9,603	–	9,603
Repayment of term loans	(12,069)	(9,501)	(12,069)	(9,501)
Effect of changes in exchange rates	171	–	171	–
Dividends paid				
- shareholders of the Company	(15,660)	(13,500)	(15,660)	(13,500)
- minority shareholders	(13,323)	(4,276)	–	–
Net cash from financing activities	<b>60,859</b>	59,485	<b>74,182</b>	63,761
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>33,131</b>	21,785	<b>13,600</b>	14,615
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>78,260</b>	56,475	<b>68,053</b>	53,438
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>111,391</b>	78,260	<b>81,653</b>	68,053
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>				
Cash, bank balances and deposits (Note 17)	112,981	78,260	81,653	68,053
Less : Fixed deposit pledged	(1,590)	–	–	–
	<b>111,391</b>	78,260	<b>81,653</b>	68,053

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

## 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 the principal activities during the financial year other than the following:

- (a) the incorporation of a wholly-owned subsidiary, PT MSC Indonesia to carry on tin exploration and mining operations in Indonesia;
- (b) the commencement of the business of property holding and rental by a dormant wholly-owned subsidiary, MSC Properties Sdn Bhd; and
- (c) the acquisition of a 100% equity interest in Rahman Hydraulic Tin Sdn. Bhd., a tin mining company in Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities 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 28 March 2005.

## 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 certain freehold and leasehold land and buildings.

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

### (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. Goodwill on consolidation is stated at cost less impairment losses.

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 has 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.

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. The policy for the measurement of impairment losses is in accordance with Note 2(e).

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. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(e).

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 2 years to 23 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.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(d) Property, Plant and Equipment and Depreciation (cont'd)**

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.

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	4 to 40 years
Furniture	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 revaluation surplus previously recognised for the same asset.

**(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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) Inventories (cont'd)

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.

### (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. Deferred tax assets, unused tax losses and unused tax credits are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary 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.

### (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.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(j) Employee Benefits (cont'd)****(ii) Defined Contribution Plans**

Contributions made to Defined Contribution Plans, including the state pension scheme, the Employees Provident Fund ("EPF") in Malaysia, by the Group and by the Company are recognised as an expense in the income statement as incurred.

**(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**

Termination benefits payable by the Group and by the Company in cases of termination of employment within the framework of a restructuring are recognised as a liability and are expensed or charged against provision when the Group and Company have a detailed formal plan for the termination and is without realistic possibility of withdrawal.

**(k) Mine Exploration and Evaluation Expenditure**

Mine exploration and evaluation expenditure incurred within a mining lease where mining has commenced is written off as incurred.

Exploration, evaluation and development expenditure incurred on new mining leases is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permit reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full to income statement in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserve.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (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.

Significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production of each mine property is provided based on the present value of the estimated expenditure to be incurred.

### (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.

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

**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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Foreign Currencies (cont'd)

#### (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:

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Australian Dollar	<b>2.91</b>	2.87
United States Dollar	<b>3.80</b>	3.80
Indonesian Rupiah (100 units)	<b>0.039</b>	0.045

### (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.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 3. PROFIT FROM OPERATIONS

(i) Profit from operations is calculated as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sale of goods and services	1,860,505	782,176	1,611,860	640,311
Tin warehousing and delivery charges	2,025	1,201	2,025	1,201
Revenue	1,862,530	783,377	1,613,885	641,512
Cost of goods sold and services provided	(1,654,493)	(691,047)	(1,577,564)	(626,385)
Gross profit	208,037	92,330	36,321	15,127
Other operating income	6,308	1,637	52,097	17,907
Marketing and distribution expenses	(29,765)	(16,544)	(2,234)	(1,878)
Administrative expenses	(12,294)	(11,393)	(8,813)	(7,112)
Other operating expenses	(21,350)	(7,976)	(20,330)	–
Profit from operations	150,936	58,054	57,041	24,044

(ii) Profit from operations is stated:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
After charging:				
Auditors' remuneration				
- statutory audit:				
- current year	263	264	70	60
- underprovision of prior year	10	–	10	–
- other services	8	18	8	18
Depreciation	13,598	10,040	1,634	1,589
Directors' remuneration				
- fees	799	765	400	400
- emoluments	703	646	703	646
- benefits-in-kind	69	55	69	55
Secretarial fees payable to a Director of a foreign subsidiary	14	18	–	–
Hire of equipment and vehicles	98	6	10	6
Loss on foreign exchange	–	772	–	–
Loss on disposal of property, plant and equipment	4	–	–	–
Provision for diminution in value of investment	1,558	–	20,330	–
Provision for mine rehabilitation	6,258	–	–	–
Provision for severance benefits	1,419	2,909	–	–
Provision for inventory obsolescence	1,596	135	–	–
Rents of land and buildings	555	498	530	183
Restructuring costs	176	426	176	426
Specific provision for doubtful debts	4,735	3,000	4,735	3,000

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 3. PROFIT FROM OPERATIONS (CONT'D)

### (ii) Profit from operations is stated:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
and crediting:				
Gain on foreign exchange	746	15	584	15
Gross dividend received from an associate	-	-	140	93
Gross dividend received from subsidiaries	-	-	39,576	12,709
Gain on disposal of property, plant and equipment	-	221	396	99
Interest income	2,934	1,362	6,828	3,703
Reversal of provision for mine rehabilitation	-	300	-	-

## 4. FINANCE COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Included herein is interest expense on borrowings	4,854	2,716	4,810	2,716

## 5. TAXATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax expense for the year:				
Malaysian income tax	10,034	2,611	10,007	2,611
Foreign tax	41,487	13,610	-	-
Deferred tax:	51,521	16,221	10,007	2,611
Relating to origination and reversal of temporary differences (Note 24)	(5,689)	893	(1,289)	(161)
Overprovided in prior years:				
Foreign deferred tax	-	(1,068)	-	-
Malaysian income tax	(229)	(114)	(229)	(114)
	(229)	(1,182)	(229)	(114)
Company and subsidiaries	45,603	15,932	8,489	2,336
Share of taxation of associates	309	87	-	-
	45,912	16,019	8,489	2,336

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 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	
	2004 RM'000	2003 RM'000
Profit before taxation	127,372	53,249
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	35,664	14,910
Effect of different tax rate in other countries	2,462	1,165
Income not subject to tax	(155)	(33)
Expenses not deductible for tax purposes	8,170	1,250
Unbooked deferred tax effect on provision for mine rehabilitation	-	(91)
Tax overprovided in prior years	(229)	(114)
Deferred tax overprovided in prior years	-	(1,068)
Tax expense for the year	45,912	16,019

	Company	
	2004 RM'000	2003 RM'000
Profit before taxation	52,216	21,313
Taxation at Malaysian statutory tax rate of 28% (2003 : 28%)	14,620	5,968
Income not subject to tax	(12,205)	(4,280)
Expenses not deductible for tax purposes	6,303	762
Overprovided in prior years	(229)	(114)
Tax expense for the year	8,489	2,336

	Group	
	2004 RM'000	2003 RM'000
<b>Tax savings recognised during the year arising from:</b>		
Utilisation of tax losses brought forward	-	1,318
<b>Tax losses are analysed as follows:</b>		
Unabsorbed tax losses	1,959	595

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.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on net profit for the year of RM61,045,000 (2003: RM28,956,000) for the Group and 75,000,000 (2003: 75,000,000) shares in issue during the year.

## 7. DIVIDENDS

	Amount		Net dividends paid per share	
	2004 RM'000	2003 RM'000	2004 Sen	2003 Sen
<b>Group and Company</b>				
Second interim dividend for the previous year 14 sen less tax at 28% (2003: 10 sen tax exempt)	<b>7,560</b>	7,500	<b>10.1</b>	10.0
Interim dividend for the year of 15 sen less tax at 28% (2003: 8 sen tax exempt)	<b>8,100</b>	6,000	<b>10.8</b>	8.0
	<b>15,660</b>	13,500	<b>20.9</b>	18.0

On 23 February 2005, the Directors declared the payment of a second interim dividend of 15 sen and a special interim dividend of 10 sen per share, less tax at 28% totalling RM13.5 million for the financial year ended 31 December 2004. These dividends were paid on 28 March 2005 to shareholders registered on the Company's register of members at the close of business at 5.00 pm on 15 March 2005. The Directors do not intend to propose a final dividend for the financial year ended 31 December 2004.

The financial statements for the current financial year do not reflect these declared dividends. These will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

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	Total RM'000
<b>Cost or Valuation</b>						
At 1 January 2004	39,246	637	37,411	273,077	744	351,115
On acquisition of a subsidiary	105	395	360	6,613	-	7,473
Additions	-	884	400	6,031	4,885	12,200
Disposals	-	-	-	(3,246)	-	(3,246)
Transfer in/(out)	-	-	-	4,470	(4,470)	-
At 31 December 2004	39,351	1,916	38,171	286,945	1,159	367,542
Representing:						
Cost	105	1,279	22,894	286,945	1,159	312,382
Valuation 2003	39,246	637	15,277	-	-	55,160
	39,351	1,916	38,171	286,945	1,159	367,542
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2004	-	-	22,095	215,156	-	237,251
Charge for the year	-	56	531	13,011	-	13,598
Disposals	-	-	-	(3,032)	-	(3,032)
At 31 December 2004	-	56	22,626	225,135	-	247,817
<b>Net book value</b>						
At 31 December 2004	39,351	1,860	15,545	61,810	1,159	119,725
At 31 December 2003	39,246	637	15,316	57,921	744	113,864
<b>Net book value (had the assets been carried at cost less depreciation)</b>						
At 31 December 2004	31,521	967	8,636	61,810	1,159	104,093
At 31 December 2003	31,521	139	8,630	57,921	744	98,955

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 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	Total RM'000
<b>Cost or Valuation</b>						
At 1 January 2004	39,246	637	15,277	34,210	744	90,114
Additions	-	-	-	2	655	657
Disposals	(13,586)	(637)	(9,777)	(466)	-	(24,466)
Transfer in/(out)	-	-	-	1,213	(1,213)	-
At 31 December 2004	25,660	-	5,500	34,959	186	66,305
Representing:						
Cost	-	-	-	34,959	186	35,145
Valuation 2003	25,660	-	5,500	-	-	31,160
	25,660	-	5,500	34,959	186	66,305
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2004	-	-	-	30,024	-	30,024
Charge for the year	-	30	417	1,187	-	1,634
Disposals	-	(30)	(280)	(464)	-	(774)
At 31 December 2004	-	-	137	30,747	-	30,884
<b>Net book value</b>						
At 31 December 2004	25,660	-	5,363	4,212	186	35,421
At 31 December 2003	39,246	637	15,277	4,186	744	60,090
<b>Net book value (had the assets been carried at cost less depreciation)</b>						
At 31 December 2004	26,587	-	5,123	4,212	186	36,108
At 31 December 2003	31,521	139	8,591	4,186	744	45,181

### Group/Company

The short leasehold land comprises leases with a current duration of between 2 to 23 years.

Freehold land, short leasehold land and buildings owned by the Group and the Company were revalued in December 2003 by the Directors based on a valuation carried out by a firm of professional valuers using the open market values and depreciated replacement cost basis.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 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 RM11 per kg, as compared with the tin metal price of RM30.42 per kg as at 31 December 2004.

## 10. INVESTMENT IN SUBSIDIARIES

Unquoted shares, at cost

Company	
2004	2003
RM'000	RM'000
18,366	—

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Issued and paid-up capital 2004	Effective interest held		Principal activities
			2004	2003	
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%	Property holding and rental
Rahman Hydraulic Tin Sdn. Bhd. **	Malaysia	97,232,000 shares of RM1 each	100%	—	Tin mining
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 MSC Indonesia *	Indonesia	800,000 shares of USD1 each	100%	—	Tin exploration and mining
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

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 10. INVESTMENT IN SUBSIDIARIES (CONT'D)

In January 2004, the Company incorporated a wholly-owned subsidiary, PT MSC Indonesia to carry on tin exploration and mining operations in Indonesia. On 23 November 2004, the Company acquired 100% equity interest in Rahman Hydraulic Tin Sdn. Bhd. (RHT) for a cash consideration of RM15,325,829. The acquisition price included, inter alia, a lease to operate a tin mine with rights to enter, occupy and mine on pieces of land measuring approximately 601.935 hectares in Klian Intan, Perak Darul Ridzuan ("Mining Right") which expired on 31 December 2003. RHT had on 17 October 2002 submitted an application to the relevant authority for the renewal of the Mining Right contained in the mining lease. The application is still pending approval by the relevant authority.

### Analysis of the acquisitions of subsidiaries

The acquisitions of Rahman Hydraulic Tin Sdn. Bhd. and PT MSC Indonesia had the following effects on the Group's results for the year:

	← 2004 →		
	Rahman Hydraulic Tin Sdn. Bhd. RM'000	PT MSC Indonesia RM'000	Total RM'000
Revenue	2,215	557	2,772
Profit/(Loss) from operations	496	(2,103)	(1,607)
Finance cost	-	(263)	(263)
Profit/(Loss) before taxation	496	(2,366)	(1,870)
Taxation	(24)	-	(24)
Profit/(Loss) after taxation	472	(2,366)	(1,894)

The acquisitions of Rahman Hydraulic Tin Sdn. Bhd. and PT MSC Indonesia had the following effects on the financial position of the Group at the end of the year:

	← 2004 →		
	Rahman Hydraulic Tin Sdn. Bhd. RM'000	PT MSC Indonesia RM'000	Total RM'000
Property, plant and equipment	7,530	2,505	10,035
Other Assets	-	5,633	5,633
Inventories	1,171	-	1,171
Receivables	171	1,070	1,241
Cash, bank balances and deposits	1,832	299	2,131
Payables	(2,269)	(487)	(2,756)
Taxation	-	(77)	(77)
Deferred taxation	(2,069)	-	(2,069)
Amount owing to holding company	(492)	(8,270)	(8,762)
Group's share of net assets	5,874	673	6,547

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 10. INVESTMENT IN SUBSIDIARIES (CONT'D)

The fair values of the assets acquired and liabilities assumed from the acquisitions of the subsidiaries, were as follows:

	<b>Rahman Hydraulic Tin Sdn. Bhd. 22/11/2004 RM'000</b>	<b>PT MSC Indonesia 29/1/2004 RM'000</b>	<b>Total RM'000</b>
Net assets acquired:			
Property, plant and equipment	7,473	-	7,473
Inventories	459	-	459
Receivables	1,150	-	1,150
Cash and bank balances	1,811	3,040	4,851
Payables	(3,420)	-	(3,420)
Deferred taxation	(2,069)	-	(2,069)
Fair value of total net assets	<b>5,404</b>	<b>3,040</b>	<b>8,444</b>
Goodwill on acquisition	9,922	-	9,922
Total consideration	<b>15,326</b>	<b>3,040</b>	<b>18,366</b>
Satisfied by cash	<b>15,326</b>	<b>3,040</b>	<b>18,366</b>
Net cash outflows arising on acquisition:			
Cash consideration	15,326	3,040	18,366
Cash and cash equivalents of the subsidiary acquired	(221)	(3,040)	(3,261)
	<b>15,105</b>	<b>-</b>	<b>15,105</b>
Cash and cash equivalents of the subsidiary acquired:			
Cash and bank balances	1,811	3,040	4,851
Less : Fixed deposit pledged	(1,590)	-	(1,590)
	<b>221</b>	<b>3,040</b>	<b>3,261</b>

### 10.1 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from subsidiaries are unsecured, trade and non-trade in nature, and have no fixed terms of repayments. Included in amounts due from subsidiaries are unsecured advances to the subsidiary amounting to RM117.2 million (2003: RM56.5 million). Interests between 3% and 9% (2003: 9%) per annum are charged on the advances.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## II. INVESTMENT IN ASSOCIATES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares, at cost	10,473	10,473	10,473	10,473
Share of post-acquisition reserves	4,196	3,366	-	-
	<b>14,669</b>	13,839	<b>10,473</b>	10,473
Outside Malaysia:				
Quoted shares, at cost	19,546	15,247	19,546	15,247
Exchange translation difference	3,618	3,161	-	-
	<b>23,164</b>	18,408	<b>19,546</b>	15,247
Share of post-acquisition reserves	(22,390)	(2,415)	-	-
	<b>774</b>	15,993	<b>19,546</b>	15,247
Unsecured redeemable convertible notes	784	784	784	784
	<b>1,558</b>	16,777	<b>20,330</b>	16,031
Provision for diminution in value of investment	(1,558)	-	(20,330)	-
	-	16,777	-	16,031
	<b>14,669</b>	30,616	<b>10,473</b>	26,504
Market value of quoted shares	*	18,312	*	18,312

\* No market value of the quoted shares is available as the shares have been suspended on the Australian Stock Exchange.

	Group	
	2004 RM'000	2003 RM'000
Represented by:		
Share of net assets	11,864	27,027
Premium arising on acquisition	2,805	2,805
	<b>14,669</b>	29,832
Unsecured redeemable convertible notes	-	784
	<b>14,669</b>	30,616

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## II. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of Company	Country of incorporation	Effective interest held		Principal activities
		2004	2003	
Redring Solder (M) Sdn. Bhd.	Malaysia	40%	40%	Manufacture and sale of solder products
Australia Oriental Minerals NL (Formerly known as Marlborough Resources NL)	Australia	35%	30%	Tin mining

In January 2004, Australia Oriental Minerals NL (AOM) sold its interest in a non-core gold and copper prospect to an Australian company which was seeking a listing on the Australian Stock Exchange for a combination of AUD250,000 cash and 6,250,000 shares at a share price of AUD0.20 each giving a share value of AUD1,250,000 in the Australian company. These shares were distributed by AOM through a capital reduction of AUD1,250,000 in its share capital to its shareholders on a pro-rata basis. The Company received 1,854,000 shares at AUD0.20 per share giving a value of RM1,108,000 (AUD370,817) as disclosed in Note 12 to the financial statements.

In June 2004, the Company exercised its entitlement to subscribe for a rights issue in AOM for an additional 66,395,333 ordinary shares at the issued price of AUD0.03 each for a total cash consideration of RM5,407,000 (AUD1,991,860).

In August 2004, Telminex NL, a wholly-owned tin mining subsidiary of AOM was placed under special administration. As a result, a request was made by AOM for its shares to be suspended on the Australian Stock Exchange.

### II.1 AMOUNT DUE FROM ASSOCIATES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Amounts due from associates	5,051	2,536	5,051	2,536
Specific provision for doubtful debt	(4,373)	–	(4,373)	–
	<b>678</b>	2,536	<b>678</b>	2,536

The amounts due from associates are unsecured, trade and non-trade in nature and are subject to the Group's normal credit terms.

### II.2 AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate represents security deposit of RM1 million (2003: 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 3.70% (2003: 3.85%) per annum.

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

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 12. OTHER INVESTMENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Outside Malaysia:				
Quoted share, at cost	1,108	—	1,108	—
Market value	732	—	732	—

No provision for diminution in value of investment has been made as the investments are held on a long term basis and the Directors are of the opinion that the diminution in value is only temporary.

## 13 OTHER ASSETS

	Group	
	2004 RM'000	2003 RM'000
<b>Deferred exploration and evaluation expenditure</b>		
At 1 January	—	—
Additions	6,990	—
Written off to income statement	(1,357)	—
At 31 December	5,633	—

The above represents exploration and evaluation expenditure of new mining leases before commencement of mining. The costs are carried forward to the extent that they are expected to be recouped through the successful development of the areas or activities of the areas have not reached a stage that permit reasonable assessment of the existence of economically recoverable reserves.

## 14. INVENTORIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	230,919	186,854	72,166	61,085
Goods in transit	16,823	6,382	16,823	6,382
Other inventories (stores, spares, fuels and by-products)	19,687	17,802	5,162	5,778
	267,429	211,038	94,151	73,245

The cost of inventories consumed by the Group and the Company during the financial year amounted to RM1,652.5 million (2003: RM690.5 million) and RM1,577.6 million (2003: RM625.6 million) respectively.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 15. TRADE RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables	115,506	39,075	113,278	37,114
Specific provision for doubtful debts	(3,074)	(3,074)	(3,074)	(3,074)
	<b>112,432</b>	<b>36,001</b>	<b>110,204</b>	<b>34,040</b>

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.

## 16. OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Other receivables	12,529	8,852	2,406	793
Specific provision for doubtful debts	(381)	(19)	(381)	(19)
	<b>12,148</b>	<b>8,833</b>	<b>2,025</b>	<b>774</b>
Deposits	1,417	235	719	235
Prepayments	9,180	1,679	546	646
	<b>22,745</b>	<b>10,747</b>	<b>3,290</b>	<b>1,655</b>

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

## 17. CASH, BANK BALANCES AND DEPOSITS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash on hand and at banks	30,454	10,862	716	655
Deposits with:				
licensed banks	77,527	62,398	75,937	62,398
licensed finance companies	5,000	5,000	5,000	5,000
	<b>112,981</b>	<b>78,260</b>	<b>81,653</b>	<b>68,053</b>

The Group's fixed deposits of RM1,590,000 (2003: RM Nil) have been pledged to a licensed bank as securities for bank guarantee facility granted to a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 17. CASH, BANK BALANCES AND DEPOSITS (CONT'D)

The range of interest rates earned at the balance sheet date were as follows:

	Group		Company	
	2004 % per annum	2003 % per annum	2004 % per annum	2003 % per annum
Licensed banks	<b>1.25 to 3.94</b>	1.00 to 3.80	<b>1.25 to 3.94</b>	1.00 to 3.80
Licensed finance companies	<b>3.10</b>	3.00 to 3.20	<b>3.10</b>	3.00 to 3.20

The range of maturities of the deposits at the end of the financial year were as follows:

	Group		Company	
	2004 Days	2003 Days	2004 Days	2003 Days
Licensed banks	<b>3 to 365</b>	2 to 365	<b>3 to 365</b>	2 to 365
Licensed finance companies	<b>92</b>	31 to 62	<b>92</b>	31 to 62

## 18. TRADE PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	<b>16,339</b>	17,828	<b>7,627</b>	15,365

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

## 19. OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Accruals	<b>27,401</b>	11,964	<b>4,525</b>	2,103
Other payables	<b>11,954</b>	3,495	<b>6,162</b>	3,496
	<b>39,355</b>	15,459	<b>10,687</b>	5,599

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 20. PROVISIONS FOR LIABILITIES

### Group

At 1 January 2004  
 Provision during the year  
 Paid/utilised during the year  
 At 31 December 2004

### At 31 December 2004

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 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

	Severance benefits RM'000	Mine rehabilitation RM'000	Unutilised annual leave RM'000	Total RM'000
At 1 January 2004	18,163	5,420	948	24,531
Provision during the year	1,419	6,258	1,401	9,078
Paid/utilised during the year	(660)	-	(1,307)	(1,967)
At 31 December 2004	18,922	11,678	1,042	31,642
At 31 December 2004				
Current	1,182	2,338	1,042	4,562
Non-current:				
Later than 1 year but not later than 2 years	1,589	-	-	1,589
Later than 2 years but not later than 5 years	2,156	4,670	-	6,826
Later than 5 years	13,995	4,670	-	18,665
	17,740	9,340	-	27,080
	18,922	11,678	1,042	31,642
At 31 December 2003				
Current	954	-	948	1,902
Non-current:				
Later than 1 year but not later than 2 years	1,771	1,018	-	2,789
Later than 2 years but not later than 5 years	2,995	1,018	-	4,013
Later than 5 years	12,443	3,384	-	15,827
	17,209	5,420	-	22,629
	18,163	5,420	948	24,531

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 20. PROVISIONS FOR LIABILITIES (CONT'D)

Company	Severance benefits RM'000	Mine rehabilitation RM'000	Unutilised annual leave RM'000	Total RM'000
At 1 January 2004	-	-	778	778
Provision during the year	-	-	869	869
Paid/utilised during the year	-	-	(901)	(901)
At 31 December 2004	-	-	746	746
<b>At 31 December 2004</b>				
Current	-	-	746	746
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	-	-	-	-
	-	-	-	-
	-	-	746	746
<b>At 31 December 2003</b>				
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	-	-	-	-
	-	-	-	-
	-	-	778	778

**20. PROVISIONS FOR LIABILITIES (CONT'D)**

**20.1 SEVERANCE BENEFIT OBLIGATIONS**

A 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	
	2004 RM'000	2003 RM'000
Present value of unfunded defined benefit obligations	<b>18,922</b>	18,163
Analysed as:		
Current	<b>1,182</b>	954
Non-current:		
Later than 1 year but not later than 2 years	<b>1,589</b>	1,771
Later than 2 years but not later than 5 years	<b>2,156</b>	2,995
Later than 5 years	<b>13,995</b>	12,443
	<b>17,740</b>	17,209
	<b>18,922</b>	18,163

The amounts recognised in the income statement are as follows:

	Group	
	2004 RM'000	2003 RM'000
Current service cost	<b>(572)</b>	874
Interest cost	<b>1,991</b>	2,035
Total, included in staff costs (Note 26)	<b>1,419</b>	2,909

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

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

	Group	
	2004 RM'000	2003 RM'000
At 1 January	<b>18,163</b>	16,956
Amounts recognised in the income statement	<b>1,419</b>	2,909
Paid during the year	<b>(660)</b>	(1,702)
At 31 December	<b>18,922</b>	18,163

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 20. PROVISIONS FOR LIABILITIES (CONT'D)

### 20.1 SEVERANCE BENEFIT OBLIGATIONS (CONT'D)

Principal actuarial assumptions used:

Discount rate  
Expected rate of salary increases

2004	2003
%	%
12.00	12.00
10.00	10.00

## 21. BORROWINGS

### Short Term Borrowings

Unsecured:

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

Group/Company	
2004	2003
RM'000	RM'000
170,360	90,386
26,000	36,530
32,296	—
9,500	9,500
3,171	3,017
<b>241,327</b>	<b>139,433</b>

### Long Term Borrowings

Unsecured:

Term loan 1  
Term loan 2

9,500	19,000
6,353	9,076
<b>15,853</b>	<b>28,076</b>

### Total Borrowings

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

170,360	90,386
26,000	36,530
32,296	—
19,000	28,500
9,524	12,093
<b>257,180</b>	<b>167,509</b>

### Maturity of borrowings

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

241,327	139,433
12,676	12,516
3,177	15,560
<b>257,180</b>	<b>167,509</b>

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 RM1.588 million (AUD525,000) each commencing on 17 April 2004.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 21. BORROWINGS (CONT'D)

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

	Group/Company	
	2004 % per annum	2003 % per annum
Bank overdrafts	<b>6.00 to 6.50</b>	6.40 to 6.80
Bankers' acceptances	<b>2.99 to 3.10</b>	3.02 to 3.13
US Dollar Trade Loans	<b>1.52 to 2.95</b>	1.45 to 2.09
Revolving credit	<b>1.80 to 2.87</b>	-
Term loan 1	<b>2.14 to 3.06</b>	2.12 to 2.77
Term loan 2	<b>6.70 to 6.85</b>	6.00 to 6.46

## 22. SHARE CAPITAL

Authorised:  
At 31 December

Issued and fully paid:  
At 31 December

← Company →			
Number of ordinary shares of RM1 each		Amount	
2004 '000	2003 '000	2004 RM'000	2003 RM'000
<b>100,000</b>	100,000	<b>100,000</b>	100,000
<b>75,000</b>	75,000	<b>75,000</b>	75,000

## 23. RESERVES

Distributable:  
Retained profit

Non-distributable:

Surplus on revaluation of land and buildings  
Foreign exchange reserve  
Capital reserve  
Reserve on consolidation

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>147,357</b>	101,972	<b>116,689</b>	82,159	
<b>9,194</b>	9,194	<b>3,443</b>	9,194	
<b>1,298</b>	662	<b>(2,320)</b>	(2,491)	
<b>1,706</b>	1,706	-	-	
<b>13,880</b>	18,399	-	-	
<b>173,435</b>	131,933	<b>117,812</b>	88,862	

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

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 23. RESERVES (CONT'D)

As at 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM15.7 million (2003: RM3.1 million), 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 2004 subject to the agreement of the Inland Revenue Board.

## 24. DEFERRED TAX LIABILITIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January	9,266	7,660	3,581	3,029
Recognised in the income statement (Note 5)	(5,689)	893	(1,289)	(161)
Acquisition of a subsidiary	2,069	—	—	—
Arising from revaluation surplus during the year	—	713	(713)	713
At 31 December	<b>5,646</b>	9,266	<b>1,579</b>	3,581
Presented after appropriate offsetting as follows:				
Deferred tax assets	(895)	(891)	(436)	(432)
Deferred tax liabilities	6,541	10,157	2,015	4,013
	<b>5,646</b>	9,266	<b>1,579</b>	3,581

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

### Deferred tax assets of the Group

	1 January 2004 RM'000	Recognised in income statements RM'000	Charged to equity RM'000	31 December 2004 RM'000
Other provisions	(891)	(4)	—	(895)

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 24. DEFERRED TAX LIABILITIES (CONT'D)

### Deferred tax liabilities of the Group

	I January 2004 RM'000	Acquisition of a subsidiary RM'000	Recognised in income statements RM'000	Charged to equity RM'000	At 31 December 2004 RM'000
Capital allowances	8,269	2,069	(2,016)	-	8,322
Revaluation of property	666	-	(77)	-	589
Others	1,222	-	(3,592)	-	(2,370)
	<b>10,157</b>	<b>2,069</b>	<b>(5,685)</b>	<b>-</b>	<b>6,541</b>

### Deferred tax assets of the Company

Other provisions	(432)	-	(4)	-	(436)
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### Deferred tax liabilities of the Company

Capital allowances	3,343	-	(1,076)	(820)	1,447
Revaluation of property	666	-	(106)	107	667
Others	4	-	(103)	-	(99)
	<b>4,013</b>	<b>-</b>	<b>(1,285)</b>	<b>(713)</b>	<b>2,015</b>

## 25. CAPITAL COMMITMENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Approved but not contracted	10,688	-	-	-
Contracted but not provided for	6,161	160	131	160

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 26. STAFF COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Wages and salaries	35,429	28,041	11,986	9,779
Restructuring costs	176	426	176	426
Severance benefits (Note 20.1)	1,419	2,909	-	-
EPF and Socso	2,055	1,375	1,561	929
Other staff related expenses	1,651	1,577	535	528
	<b>40,730</b>	34,328	<b>14,258</b>	11,662

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 1,472 (2003: 1,234) and 386 (2003: 363) respectively.

## 27. CONTINGENT LIABILITIES (UNSECURED)

### Group

At 31 December 2004, the Group has the following contingent liabilities:

- (a) On 22 November 2004, an Originating Summons was filed by a third party (the Plaintiff) against the Company and 3 other parties. The Plaintiff had sought, inter alia, that the award for the sale of 97,232,142 ordinary shares of RM1.00 each in Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to the open tender process and the subsequent Share Sale Agreement for the RHT shares are null and void.

The Plaintiff also filed an injunction seeking an Order, inter alia, to restrain the Defendants from proceeding with the Share Sale Agreement until the outcome of their Originating Summons is known, alternatively in the event the transfer of shares is perfected, the Company is restrained from dealing and managing the affairs of RHT.

The Plaintiff's Originating Summons and his application for an injunction were dismissed by the High Court of Malaya with costs on the 25 February 2005.

The Plaintiff has filed an Appeal to the Court of Appeal on the 8 March 2005 in respect of the dismissal of the Originating Summons and the injunction. No date has been fixed by the Court of Appeal to date.

31 DECEMBER 2004

## 27. CONTINGENT LIABILITIES (UNSECURED) (CONT'D)

### Group

- (b) At the time of takeover of Rahman Hydraulic Tin Sdn Bhd (RHT) on 22 November 2004, the following legal suits were pending against RHT:
- (i) On 22 August 2002, a Summons in Chambers (ex-parte) was served on RHT and 3 others by a party (the Plaintiff) for the rejection of its proposal to acquire the mining lease and the related assets of RHT. The plaintiff's application for Judicial Review was dismissed by the Court with cost and the plaintiff has filed a Notice of Appeal which has yet to be heard.
  - (ii) On 17 November 2003, a claim by eleven (11) ex-workers for notice pay and retrenchment benefits amounting to RM125,723.40 was made at the labour court against RHT. Based on legal advice, the directors are of the opinion that the claimants have no basis for the claim. The matter is pending decision by the Learned Judge of the Industrial Court.
  - (iii) Two former directors of RHT have made a claim for compensation amounting to approximately RM2.4 million pursuant to Service Agreements entered on 31 March 2000 between them and RHT. One of the directors has commenced proceedings in the Industrial Court for wrongful dismissal as the Managing Director. The claim has been dismissed by the Chairman of the Industrial Court. However, the said director has appealed against the decision.

In accordance to the Sale of Shares Agreement dated 1 October 2004 between the vendor of RHT and the Company (the Purchaser), the vendor shall do the necessary to defend and settle all legal suits against RHT in relation to matters occurred prior to completion date, being 22 November 2004 or shall cause these legal suits to be transferred from RHT to the vendor.

### Company

At 31 December 2004, the Company has the following contingent liabilities:

- (a) A Bank guarantee of RM1.6 million given by the Company to the Perak State Authorities on behalf of a subsidiary.
- (b) On 22 November 2004, an Originating Summons was filed by a third party (the Plaintiff) against the Company and 3 other parties. The Plaintiff had sought, inter alia, that the award for the sale of 97,232,142 ordinary shares of RM1.00 each in Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to the open tender process and the subsequent Share Sale Agreement for the RHT shares are null and void.

The Plaintiff also filed an injunction seeking an Order, inter alia, to restrain the Defendants from proceeding with the Share Sale Agreement until the outcome of their Originating Summons is known, alternatively in the event the transfer of shares is perfected, the Company is restrained from dealing and managing the affairs of RHT.

The Plaintiff's Originating Summons and his application for an injunction were dismissed by the High Court of Malaya with costs on the 25 February 2005.

The Plaintiff has filed an Appeal to the Court of Appeal on the 8 March 2005 in respect of the dismissal of the Originating Summons and the injunction. No date has been fixed by the Court of Appeal to date.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 28. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Group	2004 RM'000	Amount outstanding as at	2003	Amount outstanding as at
		31/12/2004 RM'000	RM'000	31/12/2003 RM'000
(a) Sales to an associate, Redring Solder (M) Sdn. Bhd.	20,330	678	12,529	-
(b) Purchases from an associate, Australia Oriental Minerals NL (Formerly known as Marlborough Resources NL)	11,911	-	12,533	-
<hr/>				
Company				
(a) Sales to an associate, Redring Solder (M) Sdn. Bhd.	20,330	678	12,529	-
(b) Purchases from subsidiaries - PT Koba Tin	443,522	-	211,368	-
(c) Purchases from an associate, Australia Oriental Minerals NL (Formerly known as Marlborough Resources NL)	11,911	-	12,533	-
(d) Loan to a subsidiary				
- PT MSC Indonesia for its exploration expenditure	8,018	8,018	-	-
- MSC Properties Sdn. Bhd. for the purchase of properties from the Company	24,000	23,452	-	-
(e) Sale of properties to a subsidiary, MSC Properties Sdn. Bhd.	24,000	-	-	-

The above transactions other than loans to subsidiaries arose in the normal course of business on an arm's length basis.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 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 United States Dollar, Australian Dollar and Indonesian Rupiah. Due to concentration of its purchases and sales in United States Dollars, there is a natural hedge and the exposure to foreign currency risk is minimised.

The net unhedged financial assets and liabilities of the Group and of the Company as at 31 December 2004 that are not denominated in their functional currencies are as follows:

Group	2004		2003	
	Ringgit Malaysia RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	United States Dollar RM'000
<b>Functional currency</b>				
<b>Trade receivables</b>				
United States Dollar	6,186	-	20,840	-
<b>Other receivables</b>				
Indonesian Rupiah	-	17,087	-	8,856
<b>Cash and bank balances</b>				
United States Dollar	1,174	-	6,672	-
Indonesian Rupiah	-	7,771	-	2,333
<b>Trade payables</b>				
United States Dollar	1,686	-	-	-
Indonesian Rupiah	-	8,445	-	2,463
<b>Other payables</b>				
United States Dollar	1,770	-	829	-
Australian Dollar	130	-	151	-
Indonesian Rupiah	-	41,422	-	23,246
<b>Trade financing</b>				
United States Dollar	170,360	-	90,386	-

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 29 FINANCIAL INSTRUMENTS (CONT'D)

### (b) Foreign Exchange Risk (cont'd)

Group	2004		2003	
	Ringgit Malaysia RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	United States Dollar RM'000
<b>Revolving Credit</b>				
United State Dollar	32,296	-	-	-
<b>Term loans</b>				
United States Dollar	19,000	-	28,500	-
Australian Dollar	9,524	-	12,093	-
<b>Provision for liabilities</b>				
Indonesian Rupiah	-	30,598	-	23,753
<b>Company</b>			<b>2004</b>	<b>2003</b>
<b>Functional currency</b>			<b>Ringgit Malaysia RM'000</b>	<b>Ringgit Malaysia RM'000</b>
<b>Trade receivables</b>				
United States Dollar			6,186	20,840
<b>Cash and bank balances</b>				
United States Dollar			1,174	6,672
<b>Trade payables</b>				
United States Dollar			1,686	-
<b>Other payables</b>				
United States Dollar			1,770	829
Australian Dollar			130	151
<b>Trade financing</b>				
United States Dollar			170,360	90,386
<b>Revolving credit</b>				
United States Dollar			32,296	-
<b>Term loans</b>				
United States Dollar			19,000	28,500
Australian Dollar			9,524	12,093

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 29 FINANCIAL INSTRUMENTS (CONT'D)

### (b) Foreign Exchange Risk (cont'd)

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	
<b>At 31 December 2004</b>					
Forwards used to hedge anticipated sales	United States Dollar	189,879	-	-	189,879
Forwards used to hedge anticipated purchases	Indonesian Rupiah	170,050	-	-	170,050
		<b>359,929</b>	<b>-</b>	<b>-</b>	<b>359,929</b>
<b>At 31 December 2003</b>					
Forwards used to hedge anticipated sales	United States Dollar	138,334	-	-	138,334
Forwards used to hedge anticipated purchases	Indonesian Rupiah	74,860	-	-	74,860
		<b>213,194</b>	<b>-</b>	<b>-</b>	<b>213,194</b>

The net unrecognised gains as at 31 December 2004 on forward contracts used to hedge anticipated sales and purchases which are expected to occur during 2005 of the Group and of the Company amounted to RM0.2 million (2003: RM0.5 million) and RM1.62 million (2003: RM5.5 million) 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.

**29 FINANCIAL INSTRUMENTS (CONT'D)**

**(e) Fair Values**

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Note	Group		Company	
		Carrying amount RM	Fair Value RM	Carrying amount RM	Fair Value RM
<b>Financial assets</b>					
<b>At 31 December 2004</b>					
Quoted shares	12	1,108	732	1,108	732
<b>At 31 December 2003</b>					
Quoted shares	12	—	—	—	—

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.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 DECEMBER 2004

## 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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysia	<b>1,616,462</b>	641,512	<b>510,807</b>	357,783	<b>52,723</b>	21,310
Indonesia	<b>692,731</b>	346,552	<b>285,418</b>	214,034	<b>120,735</b>	46,881
Others	<b>80,337</b>	25,571	<b>5,804</b>	57,762	<b>78,579</b>	25,504
	<b>2,389,530</b>	1,013,635	<b>802,029</b>	629,579	<b>252,037</b>	93,695
Consolidation adjustments related to intra group transactions	<b>(527,000)</b>	(230,258)	<b>(131,588)</b>	(143,508)	<b>(124,665)</b>	(40,446)
	<b>1,862,530</b>	783,377	<b>670,441</b>	486,071	<b>127,372</b>	53,249

## 31 SIGNIFICANT EVENTS

The following were other significant events during the financial year:

- The Company incorporated a wholly-owned subsidiary, PT MSC Indonesia to carry on tin exploration and mining operations in Indonesia;
- Telminex NL, a wholly-owned tin mining subsidiary of an associate Australia Oriental Minerals NL (formerly known as Marlborough Resources NL), was placed under special administration;
- The commencement of the business of property holding and rental by a wholly-owned subsidiary, MSC Properties Sdn. Bhd.; and
- The Company acquired a 100% equity interest in Rahman Hydraulic Tin Sdn. Bhd., a tin mining company in Malaysia.

## 32. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with previous financial year.

## 33. SUBSEQUENT EVENTS

The following were events subsequent to balance sheet date:

- (a) On 17 February 2005, the Company received a Notice of Mandatory Offer from Commerce International Merchant Bankers Berhad, on behalf of Straits Trading Amalgamated Resources Sdn. Berhad [STAR (M)], an indirect wholly-owned subsidiary of The Straits Trading Company Limited (STC) to acquire 16,361,000 ordinary shares representing 21.8% of the issued and paid-up share capital in the Company not already owned by STAR (M). As of that date, the equity interest of STC Group including STAR (M) in the Company was 48.19%. Subsequently as at 17 March 2005, the equity interest of STC Group including STAR (M) in the Company was increased from 48.19% to 50.20%, making STC the ultimate holding company of Malaysia Smelting Corporation Berhad.
- (b) On 2 March 2005, PT MSC Indonesia a wholly-owned subsidiary of the Company entered into joint cooperation agreements with 3 Indonesian companies enabling it to explore for tin deposits in prospective alluvial tin areas in Bangka Island, Indonesia.

# LIST OF PROPERTIES OF THE GROUP

31 DECEMBER 2004

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31.12.04 RM'000	Date of last revaluation / acquisition
<b>Malaysia</b>							
<b>1. 27 Jalan Pantai 12000 Butterworth</b>							
a) Lot 142-187 and 362	Land with offices and factory buildings	12.5 acres	Freehold	–	3 - 51 years	22,931	2003
b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	17 years	612	2003
c) Lot 263	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2006	NA	42	2003
<b>2. Lot 1199, Mukim 12, Daerah Seberang Perai Tengah</b>							
	Vacant land	13.40 acres	Freehold	–	NA	4,660	2003
<b>3. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur</b>							
	Office premises	4,629 sq. ft.	Freehold	–	5 years	1,073	2003
<b>4. Taman Desa Palma, Alma 14000 Bukit Mertajam</b>							
	80 units of flats	52,000 sq. ft.	Freehold	–	4 years	4,290	2003
<b>5. Lot 1202, 1203 &amp; 1439, Mukim 12 Daerah Seberang Perai Tengah</b>							
	Vacant Land	81.67 acres	Freehold	–	NA	21,000	2003
<b>6. Mukim Belukar Semang and Mukim Pengkalan Hulu Daerah Hulu Perak</b>							
a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 40 years	164	2004
b) Lot 1886	Vacant Land	0.78 hectares	Freehold	–	–	7	2004
c) Lot 1868, 2071, 2163, 879, 880, PT3375	Land with buildings	10.29 hectares	Leasehold	2007-2011	24 - 65 years	689	2004
<b>Indonesia</b>							
<b>7. PT Koba Tin Bangka Island</b>							
	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	7 - 32 years	28	1997
<b>8. PT MSC Indonesia Bangka Island</b>							
	Land & Buildings	17,094 sq. ft	Leasehold ( Land Rights )	2034	10 - 15 years	1,260	2004

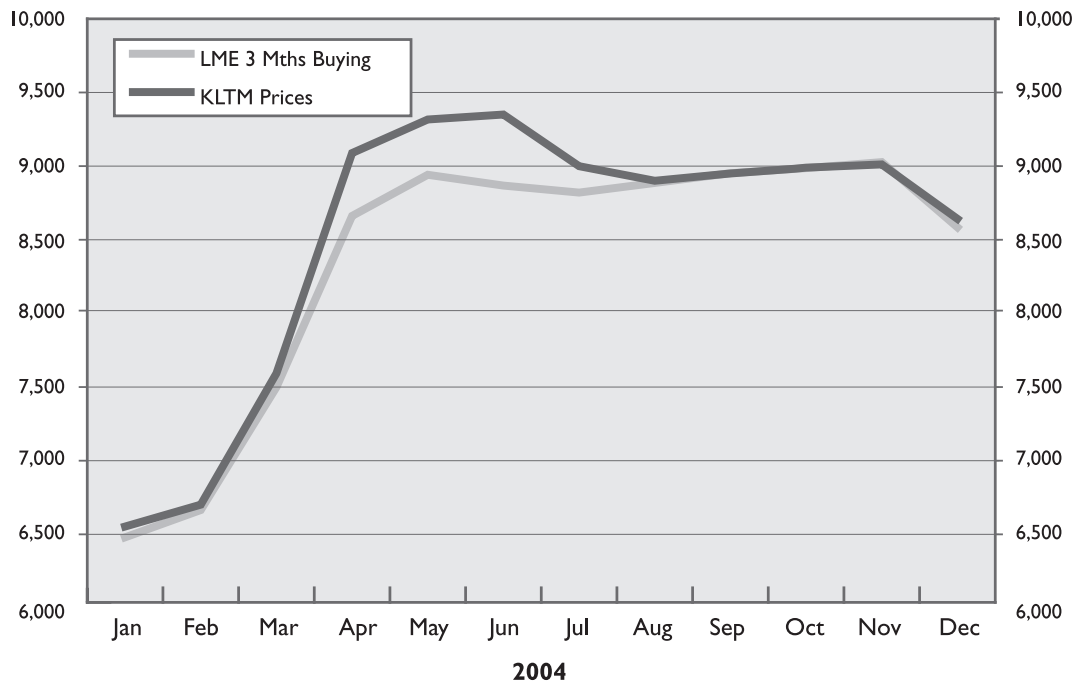
# TIN STATISTICS

	KLTM Prices			KLTM Turnover (Tonnes)	LME 3 Months Buying Average USD Per Tonne
	Highest	Lowest	Average		
<b>2000</b>	22.84	19.42	20.45	15,972	5,461
<b>2001</b>	5,205	3,510	4,424	21,584	4,519
<b>2002</b>	4,500	3,647	4,064	17,176	4,086
<b>2003</b>	6,610	4,251	4,890	12,426	4,900
<b>2004</b>	9,890	6,420	8,493	19,323	8,347
<b>2004</b>					
January	6,650	6,420	6,520	908	6,446
February	6,925	6,470	6,672	1,409	6,633
March	8,480	6,995	7,570	1,683	7,475
April	9,500	8,520	9,076	1,509	8,649
May	9,840	9,030	9,308	1,975	8,931
June	9,890	8,940	9,344	1,184	8,857
July	9,100	8,900	8,988	1,133	8,809
August	9,220	8,745	8,885	1,733	8,875
September	9,070	8,790	8,937	2,253	8,942
October	9,130	8,730	8,980	2,260	8,963
November	9,100	8,880	9,002	2,058	9,018
December	8,865	7,800	8,629	1,218	8,571

USD Per Tonne

## TIN MARKET PRICES

USD Per Tonne

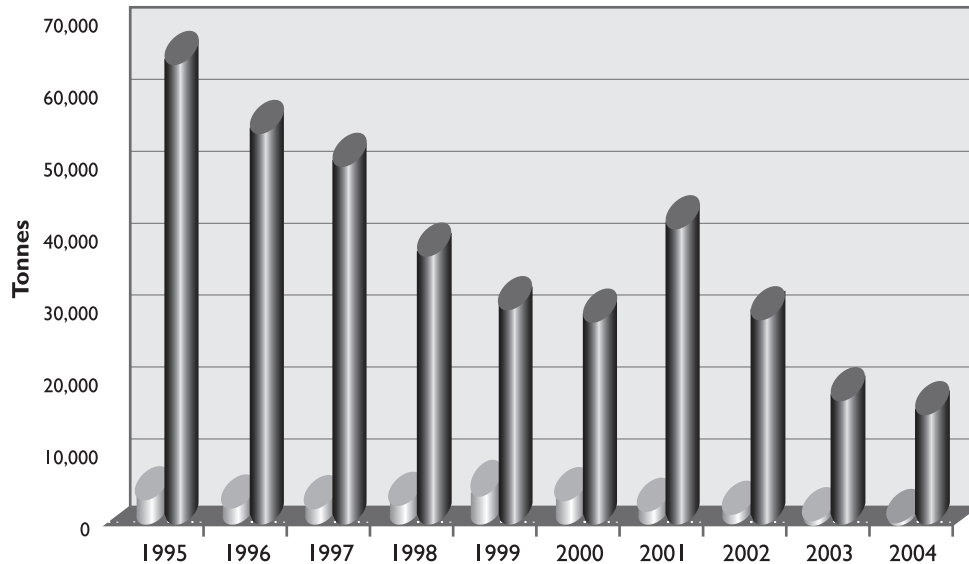


PRODUCTION OF TIN-IN-CONCENTRATES IN MALAYSIA	
Year	Tonnes
1995	6,403
1996	5,176
1997	5,060
1998	5,764
1999	7,340
2000	6,307
2001	4,972
2002	4,215
2003	3,358
2004	2,746

IMPORTS OF FOREIGN TIN CONCENTRATES INTO MALAYSIA	
Year	Tonnes
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
2004	18,916

\* 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	2000	2001	2002	2003	2004
Africa	1,232	1,508	1,362	1,031	1,313
Australia & New Zealand	332	539	1,558	1,757	1,223
China	86	20	60	140	40
EEC (incl. UK)	7,361	10,751	1,487	1,165	1,431
India, Pakistan & Bangladesh	1,984	3,275	1,073	352	825
Japan	2,940	1,499	1,735	1,723	3,381
Middle East	888	1,139	845	805	705
Taiwan	1,030	1,060	709	680	1,690
Korea	4,030	3,499	7,303	4,466	7,560
Rest of Asia Pacific	64	62	76	11	105
Singapore	575	3,612	10,749	2,664	9,421
South America	–	6	8	–	–
USA	67	482	125	263	1,235
	<b>20,589</b>	<b>27,452</b>	<b>27,091</b>	<b>15,057</b>	<b>28,929</b>
<b>Malaysia</b> (for domestic consumption)	5,076	3,518	3,339	3,444	3,815
<b>Total</b>	<b>25,665</b>	<b>30,970</b>	<b>30,430</b>	<b>18,501</b>	<b>32,744</b>

LME and U.S DLA's STOCKS & DISPOSALS (In tonnes)			
Period End	LME Stocks *	DLA Stocks #	DLA Disposals #
<b>2004</b>			
1st Quarter	7,195	33,980	–
2nd Quarter	5,638	33,980	–
3rd Quarter	4,990	25,100	8,880
4th Quarter	7,685	24,962	138

Sources: \* Metal Bulletin

# US Geological Survey - uncommitted stock

# SHAREHOLDINGS STATISTICS

AS AT 19 APRIL 2005

## Analysis of shareholdings

### Size of Holdings

	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
less than 100	3	0.22	133	0.00
100 to 1,000	819	59.96	789,567	1.05
1,001 to 10,000	481	35.21	1,816,000	2.42
10,001 to 100,000	52	3.81	1,715,400	2.29
100,001 to less than 5% of issued shares	7	0.51	2,714,400	3.62
5% and above of issued shares	4	0.29	67,964,500	90.62
<b>TOTAL</b>	<b>1,366</b>	<b>100.00</b>	<b>75,000,000</b>	<b>100.00</b>

## Thirty Largest Shareholders

Name	No. of Shares Held	% of Issued Capital
1 Mayban Nominees (Asing) Sdn Bhd For The Straits Trading Company Limited	28,090,000	37.45
2 MMC Corporation Berhad	22,500,000	30.00
3 Straits Trading Amalgamated Resources Sdn Bhd	10,073,900	13.43
4 CIMSEC Nominees (Tempatan) Sdn Bhd For Straits Trading Amalgamated Resources Sdn Bhd	7,300,600	9.74
5 Mayban Nominees (Asing) Sdn Bhd For Baxterley Holdings Private Limited	1,145,000	1.53
6 Mayban Nominees (Asing) Sdn Bhd For Sword Investments Private Limited	760,000	1.01
7 Gan Ah Kow	324,400	0.43
8 Redring Solder (Malaysia) Sdn Bhd	200,000	0.27
9 Mayban Nominees (Tempatan) Sdn Bhd For Md Ajib Bin Hj Anuar	150,000	0.20
10 Winnie Hamzah Sendut	135,000	0.18
11 Mayban Nominees (Tempatan) Sdn Bhd For Hidden Treasures Fund	100,000	0.13

# SHAREHOLDINGS STATISTICS CONT'D

AS AT 19 APRIL 2005

## Thirty Largest Shareholders (cont'd)

Name	No. of Shares Held	% of Issued Capital
12 Citicorp Nominees (Asing) Sdn Bhd For Royston Holmes	100,000	0.13
13 Hdm Nominees (Asing) Sdn Bhd For Norman Ka Cheung Ip	100,000	0.13
14 Abdul Malik Bin Abdul Kadir	100,000	0.13
15 Mayban Securities Nominees (Tempatan) Sdn Bhd For Md. Ajib Bin Hj. Anuar	100,000	0.13
16 Yeo Khee Huat	85,000	0.11
17 Cheam Heng Ming	80,000	0.11
18 HLB Nominees (Tempatan) Sdn Bhd For Lee Toon Hian	75,000	0.10
19 TA Nominees (Tempatan) Sdn Bhd For Lim Siew Leng	50,400	0.07
20 Mayban Securities Nominees (Tempatan) Sdn Bhd For Ab. Sukor Bin Shahr	50,000	0.07
21 Mayban Nominees (Asing) Sdn Bhd For Boughton Developments Limited	46,500	0.06
22 Huamas Enterprise Sdn Bhd	43,800	0.06
23 Chu Wing Chuen	40,000	0.05
24 Menteri Kewangan Malaysia section 29 (SICDA)	36,000	0.05
25 Chin Lean Keat	33,000	0.04
26 Yap Shing @ Yap Sue Kim	29,900	0.04
27 Khew Yit Len	27,500	0.04
28 Gan Jye Kae	26,200	0.04
29 Moo Chin Teng	25,000	0.03
30 AmFinance Berhad For Lau Tiang Hua	25,000	0.03
<b>TOTAL</b>	<b>71,852,200</b>	<b>95.79</b>

## SHAREHOLDINGS STATISTICS CONT'D

AS AT 19 APRIL 2005

### Substantial Shareholders as at 19 April 2005

Shareholders	Direct (No. of Shares)	Percentage %	Deemed Interest (No. of Shares)	Percentage %
The Straits Trading Company Limited	28,090,000	37.45	19,279,500	25.71
MMC Corporation Berhad	22,500,000	30.00	–	–
Straits Trading Amalgamated Resources Sdn Bhd	17,374,500	23.17	–	–

**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 BERHAD 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 Thursday 9 June 2005 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 of the Directors and Audited Financial Statements		
2	Re-election of Director:- YBhg. Dato' Ismail bin Shahudin		
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' Fees		
5	Reappointment of Auditors		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

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 of the holding of 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*