ANNUAL REPORT 2006

MSC Malaysia Smelting Corporation Berhad

(Incorporated in Malaysia)

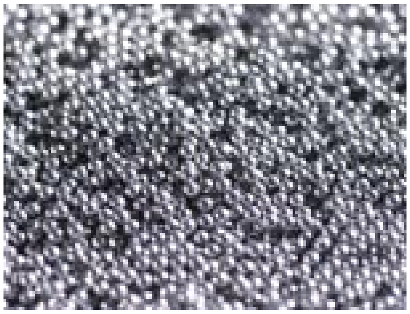
Company No. 43072-A

"The Board has identified coal, gold and advanced minerals business to be added into the Group's core mining portfolio. As we progress through the current year 2007, we are creating a new chapter and building a new vision on a solid platform to expand our metals and minerals business."

Highly sought-after, gold is the most malleable and ductile metallic element known to man. A single gram of this RESILIENT and characteristically yellow precious metal can be stretched into a sheet of one square metre. For this reason, gold can be drawn into a very thin wire or beaten into extremely thin sheets known as gold leaves.

Tin is a silvery-white metal that is not easily oxidised and corrosion resistant. Obtained mainly from the mineral cassiterite, the VERSATILE metal bonds easily with most metals and is popularly found in many alloys. The metal is used in a wide array of applications in the electronics, food packaging and chemical sectors.

A fossil fuel that is extracted from the ground, coal is a readily combustible sedimentary rock that is primarily composed of carbon. Its usage can be traced as far back as the Bronze Age. Yet, coal still remains INDISPENSABLE in today's society and as the major source of energy for power plants, is the fastest growing energy source in the world.



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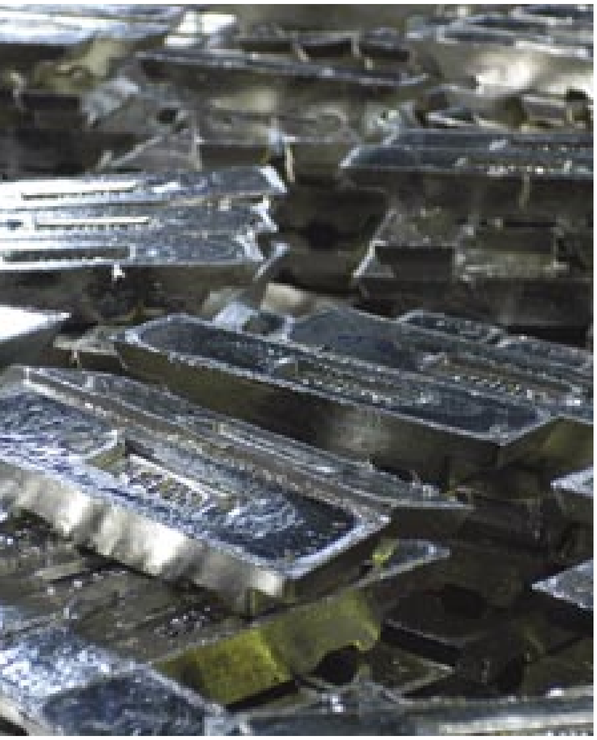


MSC GROUP BUSINESS PROFILE

With roots dating back to 1887 as the smelting operations arm of The Straits Trading Company Limited (STC), Malaysia Smelting Corporation Berhad (MSC) of today enjoys an unsurpassed global reputation as the world's leading custom smelter and the MSC Group is renowned as one of the world's largest integrated producers of tin metal and tin based products.

From its origin as a domestic tin smelter in 1887, the Company has transformed itself to become a global integrated tin producer with investment at every stage of the global tin supply chain from exploration, on-shore dredging and open pit alluvial mining, smelting and refining, solder products manufacturing to international marketing and trading of tin and tin-based products.

With over a century of smelting excellence to its credit, the Group's smelting facility in Butterworth operates one of the most cost efficient smelting plants in the world converting primary, secondary and often complex tin bearing feed materials into high purity tin metal for industrial application. The plant has a production capacity of approximately 35,000 tonnes of refined tin a year. MSC Straits refined tin brand which is registered at London Metal Exchange (LME) and Kuala Lumpur Tin Market (KLTM) is accepted internationally and MSC's products have purity ranging from the standard Grade A (99.85% Sn) to the premium grade electrolytic tin (99.99% Sn).

The Group's Indonesian operations are primarily undertaken through its two subsidiaries - 75% owned PT Koba Tin and wholly owned PT MSC Indonesia. PT Koba Tin operates two dredges and gravel-pump mining units in rich alluvial grounds within an area of 41,680 hectares under a contract of work agreement with the Government of Republic of Indonesia. PT Koba Tin has its own smelter with a production capacity of 25,000 tonnes of refined tin a year and produces the premium grade Koba brand (99.9% Sn) which is also widely recognised as a premier brand with superior quality.

PT MSC Indonesia is the Group's vehicle undertaking major exploration work programmes to search for new on-shore and off-shore tin deposits in Indonesia under production sharing agreements with local Indonesian counterparts. PT MSC Indonesia has entered into various exploration and production sharing agreements covering a total prospective area of approximately 16,000 hectares in Indonesia.

The Group has also gained a foothold in the Australian tin mining industry with its 40% equity interest in Australia Oriental Minerals NL (AOM), formerly known as Marlborough Resources NL. AOM is currently undertaking exploration and development of prospective and potential tin mining areas in Australia.

In November 2004, MSC acquired Rahman Hydraulic Tin Sdn. Bhd. (RHT), Malaysia's long established and largest operating open-pit elluvial tin mine. Additional exploration and mill upgrade are being undertaken to expand tin production for RHT.

In the downstream sector, the Group has a 40% equity interest in Redring Solder (M) Sdn Bhd. Redring Solder's principal activities are the manufacture and sale of both tin lead and lead free solder products for the electrical and electronic industries.

MSC will continue to focus its growth strategy on its core business through strategic acquisitions and organic growth where its core expertise, skills and capabilities can add value and make a difference particularly in increasing operating efficiencies, innovating products and services and forging global commercial and marketing networks to ensure its continued leadership position in the tin industry.

Whilst the core tin business shall provide stable earnings, the MSC Group is also poised to broaden its earnings base in the global metals and minerals sector, working strategically and synergistically with its parent company STC through a resource investment arm. The investment arm has already earmarked robust gold and coal sectors as the immediate investment targets as these sectors provide entry investment opportunities which are cashflow and earnings accretive. This will certainly propel the Group's expansion into the global resource industry in future.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Eighth Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at Langkawi Room, Level 2 Traders Hotel (formerly known as Shangri-la Hotel), Magazine Road, 10300 Penang, Malaysia on Monday 23 April 2007 at 11.30 am for the purpose of considering and, if thought fit, passing the following as ordinary resolutions :

1. "THAT the audited Financial Statements for the year ended 31 December 2006 and the Report of the Directors and Auditors thereon be and are hereby received and adopted."

2. "THAT the final dividend of 12 sen per RM1.00 ordinary share, less 27% tax, for the year ended 31 December 2006 be and is hereby approved and declared payable on 28 May 2007 to shareholders on the Register of Members at 4.00 pm on 11 May 2007.

3. "THAT YBhg Dato' Dr Mohd Ajib Anuar, who retires in accordance with Article 101 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

4. "THAT Mr Choi Siew Hong, who retires pursuant to Section 129(6) of the Companies' Act, 1965 be and is hereby reappointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

5. "THAT the Directors' fees of RM400,000 in respect of the year ended 31 December 2006 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."

6. "THAT Messrs Ernst & Young, who are eligible and have given their consent for reappointment be and are hereby reappointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board."

7. To transact any other business of an Annual General Meeting.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a final dividend of 12 sen per RM1.00 ordinary share, if approved, will be paid on 28 May 2007 to depositors registered in the Record of Depositors at the close of business on 11 May 2007. A depositor shall qualify for the entitlement only in respect of :

a) Shares transferred into the Depositor's Securities Account before 4.00 pm on 11 May 2007 in respect of transfers; and

b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
Abdul Rahim Hussain
Sharifah Faridah Abd Rasheed
Company Secretaries
Butterworth
30 March 2007

Notes :

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Independent Non-Executive Directors
Jeneral (B) Tun Ibrahim bin Datuk Ismail
(Chairman)

Mr Norman Ip Ka Cheung

Executive Director
Dato' Dr Mohd Ajib Anuar

Senior Independent Non-Executive Director
Mr Choi Siew Hong

Independent Non-Executive Directors
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii
En Razman Ariffin

COMPANY SECRETARIES

En Abdul Rahim Hussain *(LS007064)*
Cik Sharifah Faridah Abd Rasheed *(LS0008899)*

MANAGEMENT

Dato' Dr Mohd Ajib Anuar
(Group CEO / Executive Director)

Mr Lai Fook Hoy
(Group Chief Operating Officer)

Mr Yap Fook Ping
(Group Chief Financial Officer)

Mr Chua Cheong Yong
(Group Senior General Manager, Commercial)

En Abdul Rahim Hussain
(Senior Manager, Human Resources)

Dato' Mohd Anuar Sidek
(President Director, PT Koba Tin)

En Omar Mohd Alwi
(President Director, PT MSC Indonesia)

En Mohd Najib Jaafar
(Director of Operations, PT Koba Tin)

REGISTERED OFFICE/SMELTER

27 Jalan Pantai,
12000 Butterworth, Penang, Malaysia.

Tel: (604) 333 3500
Fax: (604)331 7405 / 332 6499
Website: www.msmelt.com
E-mail : msc@msmelt.com

AUDITORS

Ernst & Young

KUALA LUMPUR CORPORATE AND MARKETING OFFICE

B-15-11, Block B, 15th Floor, Unit 11,
Megan Avenue II, 12, Jalan Yap Kwan Seng,
50450 Kuala Lumpur, Malaysia.

Tel: (603) 2166 9260-61
Fax: (603) 2166 6599
E-mail: msckl@po.jaring.my

PT KOBA TIN OFFICE

Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No. 2
Jakarta 10220, Indonesia.

Tel: (62) (21) 251 1566
Fax: (62) (21) 251 1532
Website : www.ptkoba.co.id
E-mail : kobatin@jkt.ptkoba.co.id

PT MSC INDONESIA OFFICE

Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No. 2
Jakarta 10220, Indonesia.

Tel: (62) (21) 5793 9120/1
Fax: (62) (21) 5793 9119
E-mail: tanti@ptmsci.co.id

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur

Tel: (603) 2721 2222
Fax: (603) 2721 2530

BANKERS

CIMB Bank Berhad
Citibank Berhad
Calyon
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Bhd

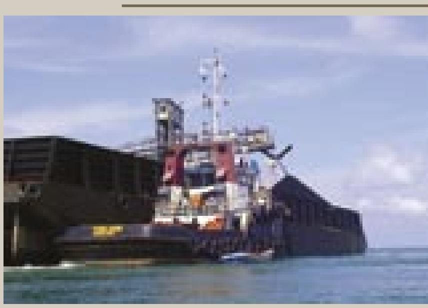
STOCK EXCHANGE LISTING

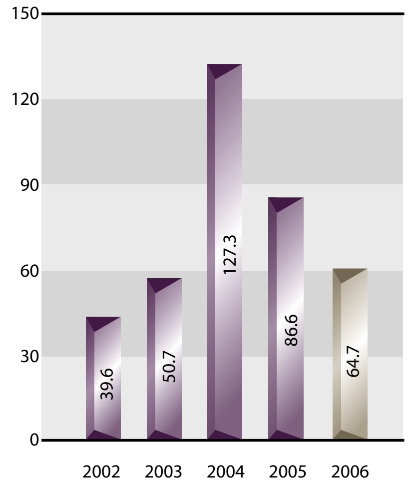
Bursa Malaysia Securities Berhad Main Board

GROUP FINANCIAL HIGHLIGHTS

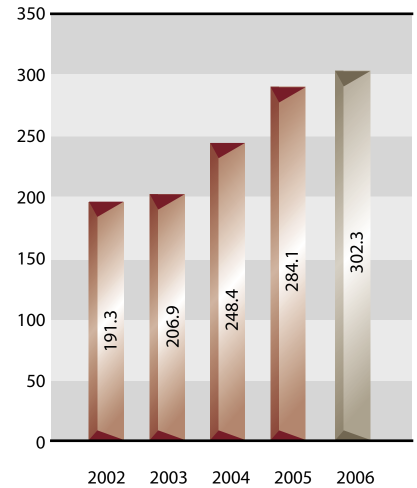
		Year Ended 31st December				
		2002 Restated	2003 Restated	2004 Restated	2005 Restated	2006
Revenue	(RM Mil)	719.5	783.4	1,862.5	1,692.8	**1,637.7**
Profit before taxation	(RM Mil)	39.6	50.7	127.3	86.6	**64.7**
Taxation	(RM Mil)	(13.2)	(16.0)	(45.6)	(22.6)	**(20.2)**
Profit attributable to shareholders	(RM Mil)	23.8	26.4	61.2	56.7	**41.5**
Total assets	(RM Mil)	365.0	486.1	670.4	757.1	**730.0**
Net current assets	(RM Mil)	143.9	150.8	181.4	152.4	**215.1**
Shareholders' funds	(RM Mil)	191.3	206.9	248.4	284.1	**302.3**
Earnings per share	(sen)	32	35	82	76	**55**
Gross dividend paid per share	(sen)	20	18	29	40	**23**
Net assets per share attributable to shareholders of the Company	(sen)	255	276	331	379	**403**
Pre-tax return on average shareholders' funds	(%)	23	25	56	32	**22**

Restated due to implementation of new Financial Reporting Standards in 2006

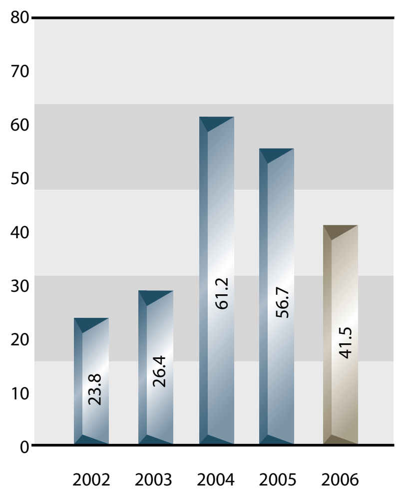




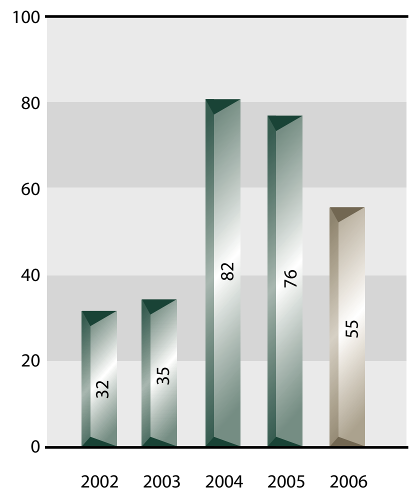
Profit Before Taxation (RM Mil)



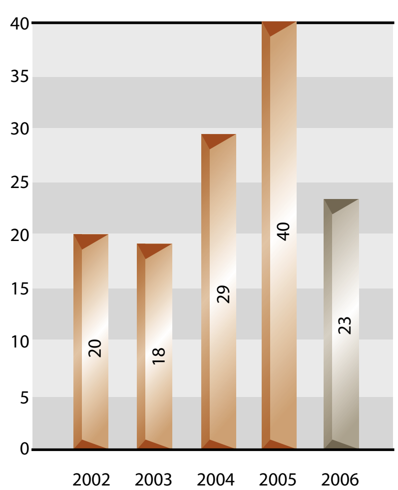
Shareholders' Funds (RM Mil)



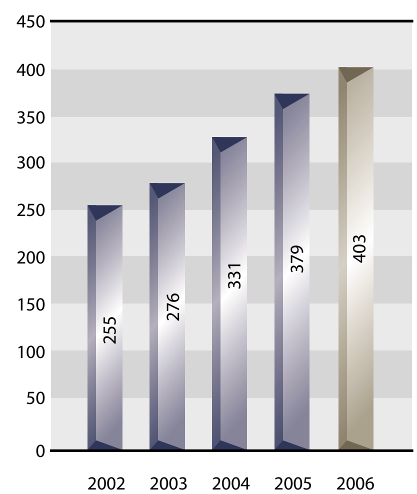
Profit Attributable to Shareholders (RM Mil)



Earnings Per Share (sen)



Gross Dividend Paid Per Share (sen)



Net Assets Per Share Attributable to Shareholders of the Company (sen)

BOARD OF DIRECTORS

Standing Left To Right

En Razman Ariffin
Mr Choi Siew Hong
Dato' Dr Mohd Ajib Anuar
Jeneral (B) Tun Ibrahim bin Datuk Ismail
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii
Mr Norman Ip Ka Cheung

BOARD OF DIRECTORS

Non-Independent Non-Executive Directors

Jeneral (B) Tun Ibrahim bin Datuk Ismail *(Chairman)*
Mr Norman Ip Ka Cheung

Executive Director

Dato' Dr Mohd Ajib Anuar

Senior Independent Non-Executive Director

Mr Choi Siew Hong

Independent Non-Executive Directors

Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii
En Razman Ariffin

AUDIT COMMITTEE

Mr Choi Siew Hong *(Chairman)*
Mr Norman Ip Ka Cheung
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii

NOMINATING COMMITTEE

Mr Choi Siew Hong *(Chairman)*
En Razman Ariffin
Mr Norman Ip Ka Cheung

REMUNERATION COMMITTEE

Mr Norman Ip Ka Cheung *(Chairman)*
Mr Choi Siew Hong
Dato' Dr Mohd Ajib Anuar

DIRECTORS' PROFILE

YBHG JENERAL (B) TUN IBRAHIM BIN DATUK ISMAIL

YBhg Jen (B) Tun Ibrahim bin Datuk Ismail is a Malaysian aged 84 years. He was appointed to the Board in April 1982 in the capacity of a Non-Independent Non-Executive Director and later in November 2001, was appointed Chairman of the Company and also chairs the Board Executive Committee.

A retired Chief of Malaysian Armed Forces, YBhg Jen (B) Tun Ibrahim has been active since his retirement in 1977 and has held several corporate and public appointments. Apart from MSC, YBhg Jen (B) Tun Ibrahim bin Datuk Ismail also sits on the Board of Permodalan Nasional Berhad and The Straits Trading Company Limited (since 22 April 1978). He also sits on the board of several private limited companies.

YBhg Jen (B) Tun Ibrahim serves as an Independent Non-Executive Director on the Board of The Straits Trading Company Limited, the ultimate holding company of Malaysia Smelting Corporation Berhad.

YBhg Jen(B) Tun Ibrahim does not have any family relationship with any other directors of the Company and neither has he been convicted of any offence.

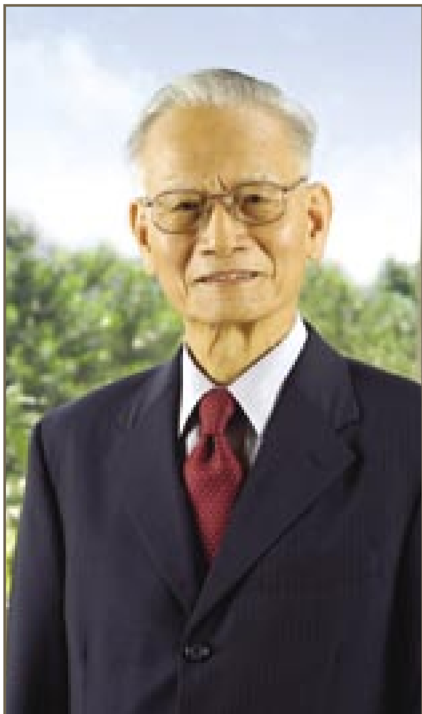
YBHG DATO' DR MOHD AJIB ANUAR

YBhg Dato' Dr Mohd Ajib Anuar is a Malaysian aged 57 years. He was first appointed to the Board as a Non-Independent Non-Executive Director in July 1986 and has been the Chief Executive Officer and Executive Director of the Company since June 1994.

YBhg Dato' Dr Mohd Ajib Anuar holds the professional qualification of the Association of Chartered Certified Accountants, United Kingdom. He has more than three decades of experience and expertise in the global tin and minerals resource industry. He serves as the Managing Director of The Straits Trading Group's resource management unit, Straits Resource Management Private Limited. Currently, he also serves as the Chairman of The Kuala Lumpur Tin Market, the President of the Malaysian Chamber of Mines and the Chairman of the Malaysian Tin industry (Research and Development) Board as well as a director of Tin Technology Limited, UK (the research and development body of the world's tin industry).

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

YBhg Dato' Dr Mohd Ajib Anuar does not have any family relationship with any other directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.



MR CHOI SIEW HONG

Mr Choi Siew Hong is a Malaysian aged 85 years. He was first appointed to the Board of the Company in April 1989 and was appointed Chairman of the Audit Committee in August 1994, Chairman of the Nominating Committee in February 2002 and a Senior Independent Non-Executive Director in January 2003.

Mr Choi has enjoyed an illustrious career in the banking industry. Equipped with a First Class Honours Degree in Economics from the University of Malaya, he served Bank Negara as Secretary and Adviser from December 1958 to January 1966 and then as Deputy Governor to October 1972. He was an Executive Director of the World Bank representing Malaysia and other countries in the South East Asia Voting Group from November 1972 to October 1975. He assumed a senior executive position and later that of General Manager in the Malaysia Division of Oversea Chinese Banking Corporation Limited from 1976 to July 1986. He was a director of The Pacific Bank Berhad (now known as PacificMas Berhad) from 1976 and became Chairman of the Bank from 1988 to 1994. Prior to his reappointment as Chairman of Pacific Bank in October 1997, he was the Chairman of OCBC Bank (Malaysia) Berhad.

Currently, Mr Choi Siew Hong is the Chairman of PacificMas Berhad, Chairman and Executive Director of United Malacca Berhad, Chairman of Pacific Insurance Berhad, Pacific Mutual Fund Berhad and Malaysian Trustees Berhad. He also sits on the boards of several private companies.

Mr Choi Siew Hong does not have any family relationship with any other directors and/or major shareholders of the Company or any conflict of interest with the Company. He has never been convicted of any offence.

MR NORMAN IP KA CHEUNG

Mr Norman Ip Ka Cheung is a British subject aged 54 years. He was appointed to the Board as a Non-Independent Non- Executive Director in 1993. Currently, he is the Chairman of the Remuneration Committee, as well as a member of the Audit Committee. He is also a member of the Nominating Committee as of 21 February, 2007. A Fellow of the Institute of Chartered Accountants In England and Wales, Mr Ip graduated with a BSc (Econs) degree from the London School of Economics and Political Science.

Mr Norman Ip is presently the President and Chief Executive Officer of The Straits Trading Company Limited in Singapore which is the ultimate holding company of Malaysia Smelting Corporation Berhad. Prior to joining The Straits Trading Group in 1983, he was a supervisor with Ernst & Whinney (now known as Ernst & Young) specializing in audits of conglomerates.

He also sits on the Board of Australia Oriental Minerals NL (formerly known as Marlborough Resources NL), as well as several private limited companies in Malaysia and Singapore.

Mr Norman Ip does not have any family relationship with any other directors of the Company and neither has he been convicted of any offence.

TUAN HAJI AHMAD KAMAL BIN ABDULLAH AL-YAFII

Tuan Haji Ahmad Kamal bin Abdullah Al-Yafii is a Malaysian aged 69 years. He was first appointed to the Board on 27 November 2002 as an Independent Non-Executive Director. He is also a member of the Audit Committee.

Tuan Haji Ahmad Kamal is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. For many years he was Malaysia's representative to Asean Federation of Accountants and had also served as a council member of the Malaysian Institute of Certified Public Accountants from 1970 to 2002. He was also an Adjunct Professor at Universiti Utara Malaysia. He began his career in 1957 at Rubber Estates Agencies & Cumberbatch. Between 1966 to 1967, he was the Chief Accountant of Federal Agricultural Marketing Authority. From 1968 to 1970, he served as the Financial Controller of Malayawata Steel Berhad. Thereafter, he became a partner at Hanafiah Raslan & Mohamed (which merged with Arthur Anderson in 1990) and was attached to its various branches and at its Head Office until his retirement in 1999. Tuan Haji Ahmad Kamal also sits on the boards of several listed companies including Chase Perdana Berhad, Malaysian Airports Holdings Berhad, Mentakab Rubber Company (Malaya) Berhad, Negara Properties (M) Berhad and Sitt Tatt Berhad. In addition, He also sits on the board of several non-listed companies and private companies.

Tuan Haji Ahmad Kamal does not have any family relationship with any other directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.

EN RAZMAN ARIFFIN

En Razman Ariffin is a Malaysian aged 59 years. He was appointed to the Board of the Company on 15 February 2006 as an Independent Non-Executive Director. On 16 March 2006, he was appointed a member of the nominating committee and as a member of the Board Executive Committee on 21 February 2007.

En Razman Ariffin graduated from the Imperial College of Science and Technology at the University of London, England with a first class honours degree in mining engineering. He has attended management courses at Banff School of Advanced Management in Canada and IMEDE Lausanne in Switzerland. His involvement in the mining, metallurgical and energy industries spans over 30 years. Beginning his career at Osborne & Chappel Sdn. Bhd. in 1972, En Razman served as Production Engineer, Planning Engineer and Dredge Engineer before moving on to Sarawak Shell Berhad in 1976 as a Wellsite Petroleum Engineer. From 1977 to 1984, he was attached to the Malaysia Mining Corporation Group of Companies (now known as MMC Corporation Berhad group of companies) serving in various capacities over the years including as Technical & Planning Manager, Executive Assistant to the Chief Executive Officer, Chief of International Investments as well as Mine Manager of Berjuntai Tin Dredging Berhad. He was the General Manager of Malaysia Smelting Corporation Berhad from 1985 to 1989 and the Chief Executive Officer of the Company from 1989. He left the Company in 1994 to become Senior Consultant at Turnaround Managers Inc, a private consultancy firm specializing in the restructuring and repositioning of companies in Malaysia and internationally. Between 2001 to 2003, he served as the Managing Director of Crest Petroleum Berhad. Currently, he is an independent strategic and corporate consultant. He is a past Chairman of the Malaysian section of the Institute of Materials, Minerals and Mining, and had also served on the Council of the Institute of Mineral Engineering, Malaysia. En Razman is also a director of The Straits Trading Company Limited as well as several private companies.

En Razman Ariffin does not have any family relationship with any other directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.

On behalf of the Board of Directors, we are pleased to present the Annual Report and Financial Statements of Malaysia Smelting Corporation Berhad, its subsidiaries and associated companies (the Group) for the year ended 31 December 2006.

2006 was a difficult but strategically meaningful year for the MSC Group. It was difficult due to the very challenging developments at the Group's Indonesian operations not only because of the rising fuel prices for most part of the year, but also the sudden upheaval in the tin industry towards the last quarter of 2006. Nonetheless, it was a historically meaningful year for MSC in witnessing the creation of a strategic corporate milestone following the acquisition of an additional substantial interest in the equity of the Company by the Group's holding company, The Straits Trading Company Limited (STC), and the subsequent successful re-quotation of the Company's shares on the Bursa Malaysia on 8 November 2006. The year also saw the global minerals and metals sector enjoying buoyant market conditions and record prices underpinned by solid economic growth, particularly in emerging economies of China and India with strong underlying supply/demand fundamentals. Amid these developments, the Group has been able to strengthen its core skills and expertise in the global minerals and metals resource sector, by working with STC in the setting up of a resource management unit, Straits Resource Management Private Limited (SRM).

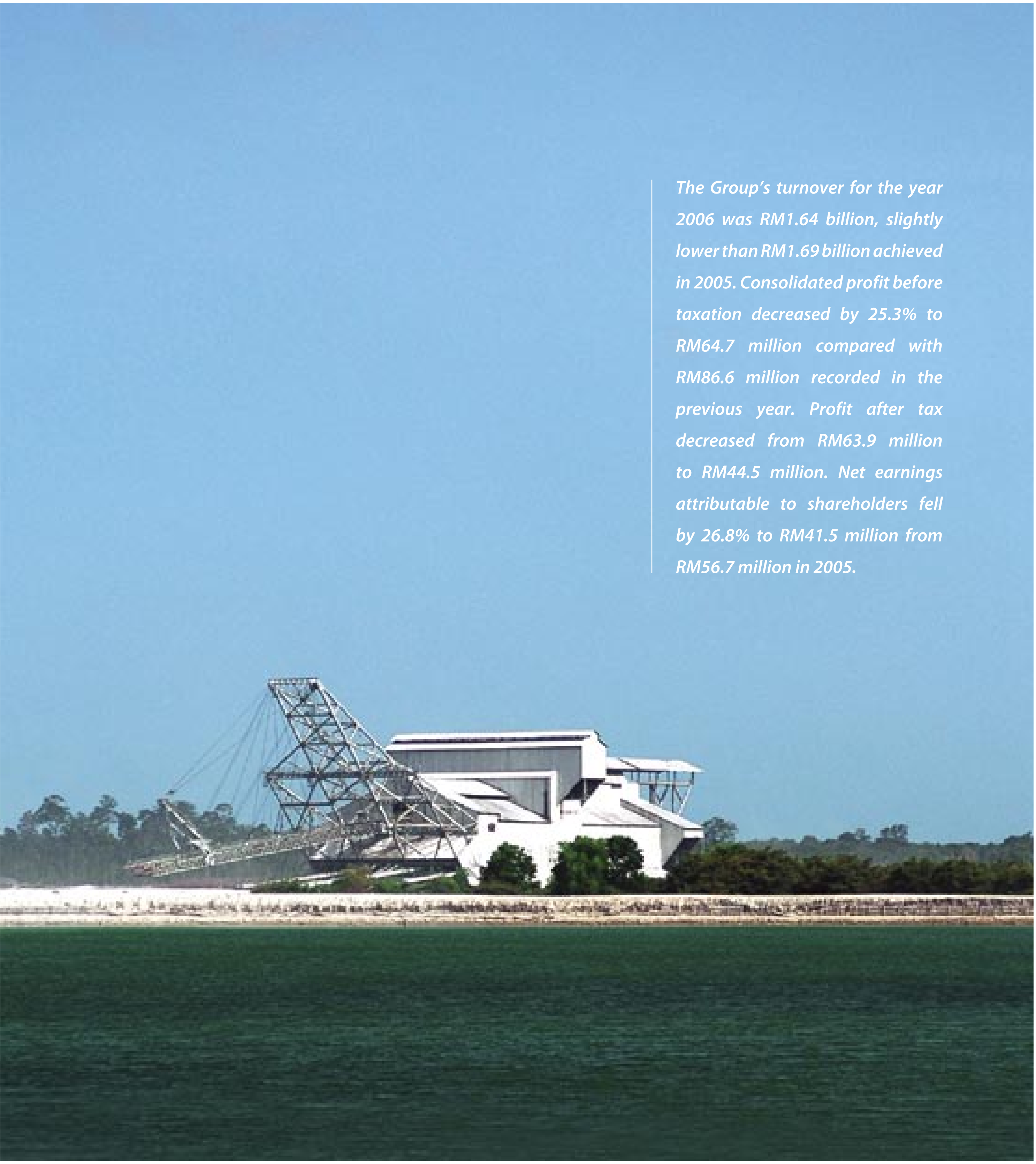
The Board undertook a strategic review of the future growth direction of the Group's metals and minerals business. This strategic review being undertaken has clearly endorsed the imperative need for the Group to diversify and build an expanded core mining portfolio in diverse geographical locations, focusing on metals and minerals with strong growth profiles and synergies with existing core operations and expertise. Subsequently, the Board has identified coal, gold and advanced minerals business to be added into the Group's core mining portfolio. As we progress through the current year 2007, we are creating a new chapter and building a new vision on a solid platform to expand our metals and minerals business.

RESULTS

The Group's turnover for the year 2006 was RM1.64 billion, slightly lower than RM1.69 billion achieved in 2005. Consolidated profit before taxation decreased by 25.3% to RM64.7 million compared with RM86.6 million recorded in the previous year. Profit after tax decreased from RM63.9 million to RM44.5 million. Net earnings attributable to shareholders fell by 26.8% to RM41.5 million from RM56.7 million in 2005.

Despite a lower earnings per share of 55.3 sen (2005 : 75.7 sen), shareholders' funds rose to RM302.3 million at the end of 2006 (2005 : RM284.1 million).

The Malaysian operations, aided by the sale of a by-product, achieved a satisfactory performance. However, despite significant turnaround in the results of PT Koba Tin in the fourth quarter of 2006, losses incurred by the Indonesian operations in the first three quarters of the year and unrealized foreign exchange translation differences due to the strengthening of the Ringgit, had resulted in significantly lower overall earnings of the Group.



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DIVIDEND

The Directors have recommended the payment of a final dividend of 12 sen less 27% tax (2005: 10 sen tax exempt and 5 sen less 28% tax) per share amounting to RM6.57 million. The dividend will be subject to the approval of the members at the forthcoming Annual General Meeting of the Company on 23 April 2007, and will be paid on 28 May, 2007 to members registered on the Company's register at the close of business at 4.00 pm, 11 May, 2007.

This, in addition to an interim dividend of 8 sen tax exempt (2005: 15 sen less 28% tax) per share paid on 28 September 2006 would bring the total dividend declared and proposed for the year 2006 to 20 sen per share, totalling RM12.57 million (2005: RM18.3 million).

OPERATIONS

Overall, the Group production of tin metal in 2006 was 43,724 tonnes, 24.9% lower than the production of 58,251 tonnes in the previous year.

PT Koba Tin faced its toughest year since its acquisition by the MSC Group in 2002. Although its production of tin metal of 20,930 tonnes in 2006 was marginally lower than 21,380 tonnes recorded in 2005, the lower grade of tin reserves mined and the increase in the fuel and other costs resulted in a significant increase in production costs. PT Koba Tin incurred an overall loss in the first half of 2006. The re-activation of all three gravel pump mining operations and a re-sizing programme initiated in the second half of the year, aided by an improvement in tin prices, generated a turnaround in performance in the third quarter and a return to profitable level in the final quarter of the year. However, the overall profit of PT Koba Tin in 2006 was still substantially lower than that of 2005.

PT MSC Indonesia, had to scale down its drilling activities in exploration programmes under the Group's other local joint ventures in Indonesia due to delays in securing certain approvals from the local authorities. However, development activities to identify additional potential tin mineralization areas inland and offshore continue vigorously. We expect positive developments to take place in the current year that will result in the establishment of mutually beneficial strategic alliances and joint ventures with local partners.

MSC's operations in Malaysia, consisting of the smelting facility at Butterworth and its tin trading and marketing division in Kuala Lumpur achieved satisfactory results in 2006 mainly due to additional income from the sale of a by-product and improved performance of its marketing activities. The Butterworth smelting plant achieved a reasonable level of profitability during the year despite the continuing shortage of feed materials worldwide.

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

MSC's only mining operation in Malaysia, carried out through its wholly-owned subsidiary, Rahman Hydraulic Tin Sdn Bhd (RHTSB), performed well in 2006 reversing the operating loss of the preceding year and turning the mine into a profitable operation. Mining expansion and exploration programmes, together with further improvements in the mining and processing facilities, are ongoing to ensure that RHTSB will continue to be a profitable tin producer in the ensuing years.

MSC's associate in Australia, Australia Oriental Minerals NL, continued with its modest exploration programme for tin and base metals in its exploration tenements in New South Wales and Queensland. This is carried out through 'farm-in' agreements with joint venture partners who provide exploration funds for the Queensland base metal prospects in return for an agreed earned equity interest.

MSC, working together with SRM, is actively seeking to expand its tin business as well as to increase its sources for tin worldwide. Apart from Indonesia, MSC is also in active discussions with a few potential tin project partners in China, Australia and Africa. The primary objective is to expand and diversify the MSC Group sources for tin and to remain a pivotal player in the international tin industry. The continuing shortage of feed materials worldwide and the recent clamp-down on independent tin smelters and small scale miners in Indonesia are expected to sustain firm tin prices in the future.

DEVELOPMENTS AT PT KOBA TIN AND INDONESIAN TIN OPERATIONS

Since October 2006, the Indonesian National police has clamped down on small scale miners and independent smelters operating on Bangka Island. The clamp-down is seen by many not only as part of the Indonesian government's efforts to regulate the country's tin mining industry but also as a reflection of several controversial and unresolved issues between the provincial and the federal governments over control of mining rights in Bangka Island. PT Koba Tin is cooperating fully with the police in their investigation based on a report alleging that PT Koba Tin had received tin ores from small scale miners operating outside its Contract of Work (COW) area. As a result of this allegation, 500 tonnes of tin metal at the port of shipment has been withheld for verification purposes. Since 23rd January 2007 and until the investigation is satisfactorily resolved, production volume of PT Koba Tin has been and will be adversely affected as the company will only be producing tin from its own dredging and gravel pump mining operations. All small scale mining operations within the COW have been halted temporarily.

Delivery and shipment of tin metal have also been suspended resulting in disruption to the global tin market. PT Koba Tin is actively working to minimise the disruption. It is hopeful that an early resolution could be achieved within the first quarter of this year so that normal mining operations and shipments of tin metal, under a more regulated Indonesian tin industry environment, could be resumed as soon as possible.

Production from small scale miners in Indonesia has accounted for more than 80% of the country's total production and export of tin for many years, thereby contributing significantly towards the source of supply of tin to the global world market. Independent tin smelters who are licensed by local governments have been operating in Bangka and Belitung Islands and have been collecting tin ores from small scale miners. At PT Koba Tin, small scale miners existed long before MSC Group's acquisition of the company in 2002. In 2003, PT Koba Tin implemented appropriate measures and procedures to regulate the operations of small scale miners within its COW area. PT Koba Tin has in place procedures for systematic registration, mapping, reconciliation of production with its reserves and resources, verification by independent teams from the relevant Indonesian Authorities, and incorporation of their estimated total production volume in its annual work programme for final approval by the Federal Government Department responsible for mineral resources. Subject to the approved volume, all materials procured from small scale miners have been methodically documented to ensure that the origin of the ore is from within the COW area. In 2006, PT Koba Tin's total output of tin metal represented about 17.5% of Indonesia's production. Production from small scale miners operating in PT Koba Tin's COW area accounted for about 75% of PT Koba Tin's production. PT Koba Tin maintains that it is and has been a responsible corporate citizen. It operates within the legal parameters of Indonesian laws including payment of taxes and royalty for the export of tin from its COW area, and carries out progressive environmental and rehabilitation works on all areas mined out including those areas operated by small scale miners in accordance with Environmental Management System Standards ISO 14001 : 2004. For the period from 2001 to 2006, PT Koba Tin paid royalty and taxes amounting to USD49.5 million to the Indonesian Government and actively participated in the community and socialization programmes initiated at both Government and Provincial levels.

GROWTH STRATEGY

Whilst we continue to focus on our current core business of tin to provide stable earnings, in the medium and long term MSC Group will have to broaden its earnings base in the global metals and minerals sector in order to achieve a sustainable long term growth in earnings and to minimize the Group's exposure to a single commodity business. Being part of the STC Group as its 73% subsidiary will provide significant strategic and synergistic benefits to the MSC Group by diversifying our mining assets in the resources sector. STC has identified the metals and minerals business as one of its core operations and we are working closely with STC to expand our investments in the metals and minerals sector. To this end, MSC will be working with STC to set up an investment vehicle to manage and operate the other metals and minerals businesses. The main focus of this vehicle in the next three years will be in the robust gold and coal sectors. We believe these two sectors can provide entry investment opportunities which are cash flow and earnings accretive.

The Group is mindful of undertaking any high risk grass-root green-field exploration. We will be driven by proven advanced exploration and development assets, quality income generating operations as well as prudent management in our pursuit for growth in the gold and coal sectors.

OUTLOOK

Subject to satisfactory conclusion to the current developments at the Group's operations in Indonesia and in the light of the current high tin price and barring any other unforeseen circumstances, the Board expects the overall performance of the Group for the current year to be satisfactory.

CORPORATE GOVERNANCE

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

INTERNAL CONTROL

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

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

OTHER MATTERS

The Company's shares resumed trading on Bursa Malaysia Securities Berhad on 8 November 2006 after having been suspended from trading since 21 May 2005, arising from a shortfall in its public shareholding spread. The resumption of trading followed a successful share placement exercise undertaken by The Straits Trading Group enabling the Company to meet the public spread requirement.

On 18th April 2006, the Company entered into an agreement with SRM, its fellow subsidiary, for the provision of management, technical, marketing, financial and advisory services to the Company and its subsidiaries.

MMC Corporation Berhad ceased to be a substantial shareholder of the Company on 18 September 2006 following the sale of its entire interest in the Company to STC Group of Companies. We take this opportunity to thank MMC Corporation Berhad for their support through the years.

ACKNOWLEDGEMENT

After more than 25 years of distinguished services with the Group of which he served six years as Chairman, it is with much regret that the Board accepts YBhg Jen(B) Tun Ibrahim bin Datuk Ismail's decision to retire from the Company at the coming Annual General Meeting of the Company. On behalf of the Board, we pay tribute to YBhg Jen(B) Tun Ibrahim bin Datuk Ismail for his wise leadership and counsel, as well as invaluable contribution through the years.

On behalf of the members of the Board, we would like to extend a special note of thanks to YBhg Dato' Wira Syed Abdul Jabbar bin Syed Hassan and YBhg Dato' Ismail Shahudin who resigned from the Board on 18 September 2006 for their wise counsel and invaluable contributions throughout their time as directors. We would also like to take this opportunity to thank the shareholders for their continued support and loyalty. The management and the staff are to be congratulated on their commitment, dedication and perseverance towards ensuring the success of the Group. Our heartfelt gratitude also goes to our customers, suppliers, bankers, business associates, all our stakeholders and the various relevant authorities for the cooperation and continued support. Finally, we would also like to record our appreciation to our colleagues on the Board for their invaluable contribution throughout the year.

JEN(B) TUN IBRAHIM BIN DATUK ISMAIL
Chairman

DATO' DR MOHD AJIB ANUAR
Group CEO/Executive Director
12 March, 2007

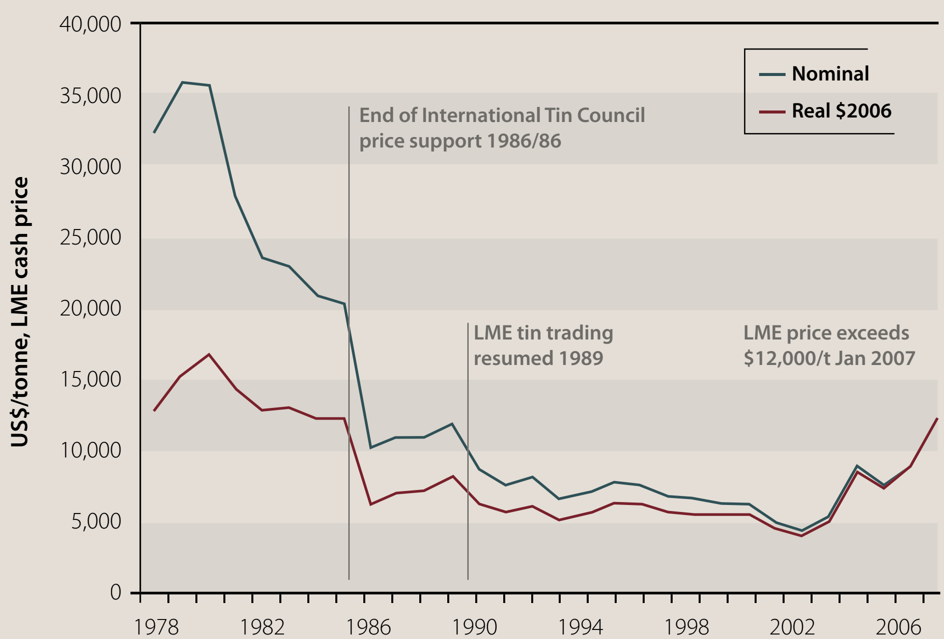
PRICES AND THE SUPPLY/DEMAND POSITION

By the end of 2006 the global tin industry was emerging from a depression which had lasted for over two decades. This recovery was based on both supply and demand factors. On the supply-side of the industry, the key driving force has been government actions to control small scale production in several important producing countries. This has been coupled with continuing healthy growth in tin usage, particularly in the electronics industry. As a result prices have been rising strongly since the final quarter of last year and may continue to increase during the course of 2007.

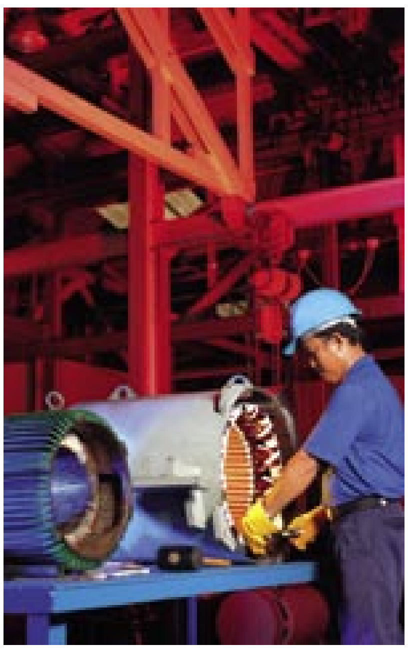
The LME annual average cash tin price in 2006 rose by 19% to US$8,763/tonne, the highest since 1985. For the first three quarters of the year tin price gains lagged those of the other main non-ferrous metals, which in most cases had much lower stock levels. However the clamp-down by the Indonesian authorities on independent smelters at the start of October, in combination with buying by investment funds, pushed up prices to a year-end level of US$11,900/tonne. In the early part of 2007 the LME price has exceeded US$12,000/tonne.

These are the highest levels recorded since LME trading in US dollar terms resumed in 1989 (trading in pounds sterling had been permanently suspended following the failure of International Tin Council buffer stock operations at the end of 1985). The chart below shows longer-term price comparisons in both nominal dollar and inflation-adjusted terms. Prices have now returned to ITC-era levels in nominal terms, but are still less than half the all-time peaks of the late 1970s/early 1980s in real, inflation-adjusted terms.

NOMINAL AND INFLATION-ADJUSTED PRICES



The global supply/demand position is shown in the table below. The market moved from deficit in 2003/2004 to large surplus in 2005. Provisional figures for 2006 indicate that supply (including releases from the US government stockpile) was roughly in line with consumption. Forecasts prepared by ITRI and CRU point to a large supply deficit in the order of 25,000 tonnes in 2007, allowing for US stockpile releases of 10,000 tonnes. At the end of December 2006, the remaining quantity of tin held in US government warehouses was 15,436 tonnes, part of which has already been sold. The stockpile, which at one time held over 330,000 tonnes of tin, is likely to be completely drawn down by 2008. Reported commercial stocks at the end of last year were some 33,000 tonnes, equivalent to just under five weeks' supply. However it should be noted that unreported stocks held by producers and traders are believed to be quite high, and will provide a reasonable buffer against disruptions to production in the short-term.



World Supply/Demand Balances in Refined Tin

('000 tonnes)				Estimate	Forecast
	2003	**2004**	**2005**	**2006**	**2007**
World					
World Refined Production	278.1	315.2	348.5	351.9	337.0
DLA Sales	9.9	9.2	7.7	9.3	10.0
World Refined Consumption	296.6	330.6	334.8	363.7	377.7
Global Market Balance	**-8.6**	**-6.2**	**21.4**	**-2.5**	**-30.7**
Reported stocks					
LME	14.5	8.2	16.7	13.0	3.0
Producers	8.2	8.7	8.4	9.0	8.0
Consumer/other	12.0	11.1	11.4	11.0	10.0
Total	**34.6**	**28.0**	**36.5**	**33.0**	**21.0**
World Stock Ratio (weeks consumption)	*6.1*	*4.4*	*5.7*	*4.7*	*2.9*

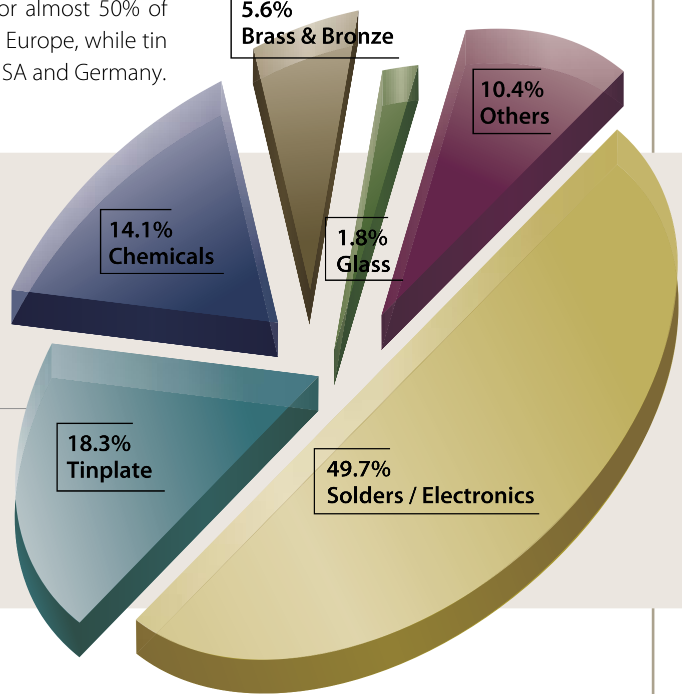
Data: CRU-ITRI

TIN USAGE CONTINUES TO GROW

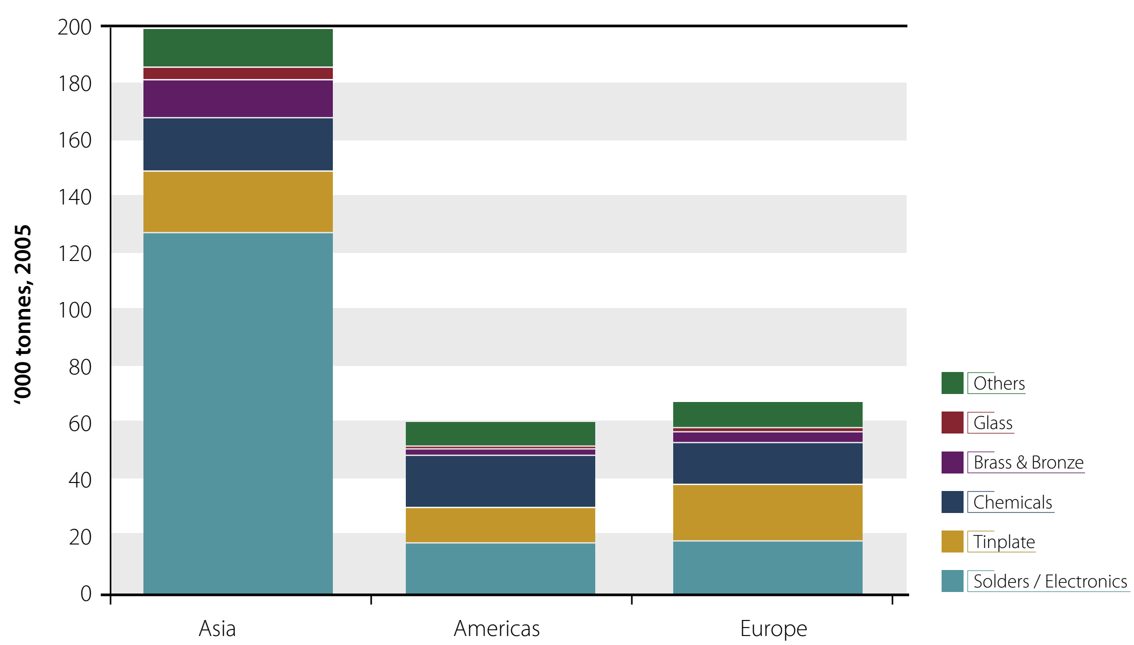
A second review of world tin usage by application was carried out as part of ITRI's Sustainability Project in the second half of 2006. The review took into account all known official and unofficial statistics on tin consumption and drew on a large-scale survey of tin consumers.

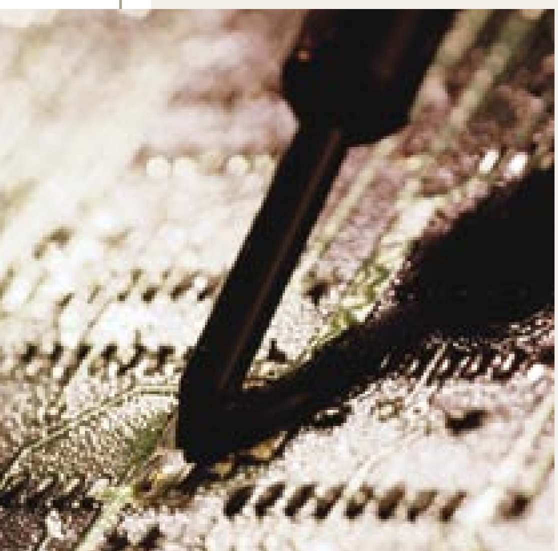
The review confirmed that the rapid growth in global tin usage since 2000 has been driven mainly by the solder sector, particularly that part of the industry serving the Asian electronics sector. As illustrated in the chart below solders accounted for almost 50% of global consumption in 2005. However tinplate is still the largest market in Europe, while tin chemicals are very important in some large national markets such as the USA and Germany.

WORLD TIN USE BY APPLICATION, 2005



END-USE DATA FOR MAIN MARKETS





The survey makes clear that the production of lead-free solders has been rising very rapidly. The lead-free share of total solder alloy production by surveyed companies in 2005 was 59% for electronics solders against just 17% in 2004. The proportions will have risen further in 2006, in line with the new EU RoHS standards which came into force mid-year.

Preliminary estimates indicate that world consumption rose by nearly 9% to over 360,000 tonnes in 2006. Continuing growth in the Asian economies, especially in electronics, and the future implementation of RoHS-type legislation in China will stimulate tin consumption in 2007. However North American consumption is reported to have been much weaker since the final quarter of 2006 and global economic growth may be constrained by rising interest rates. The rapid rise in tin prices recently also raises the threat of substitution in products with a high tin content. World tin consumption growth in 2007 is therefore likely to slow compared to 2006.

World Production and Consumption Of Refined Tin

('000 tonnes)				Estimate	Forecast
	2003	**2004**	**2005**	**2006**	**2007**
Production					
China	100.0	115.3	119.0	131.0	135.0
Indonesia	64.8	63.3	83.2	81.5	90.0
Malaysia	18.3	33.9	37.8	22.8	16.0
Thailand	15.2	20.7	31.5	27.8	12.0
Bolivia	12.8	13.0	13.5	14.0	14.0
Brazil	10.8	11.5	9.0	8.8	10.0
Peru	39.1	40.2	38.2	41.0	39.0
Belgium	7.7	8.7	7.8	8.0	8.0
Russia	4.1	3.7	3.3	4.0	5.0
Others	5.3	5.0	5.2	13.0	8.0
Total World	**278.1**	**315.2**	**348.5**	**351.9**	**337.0**
Consumption					
China	71.7	89.8	103.2	117.0	130.0
Japan	28.8	33.1	33.2	38.6	37.0
Other Asia	58.1	60.9	66.8	70.6	72.0
USA	44.7	53.9	42.1	43.2	42.0
Other Americas	16.7	17.6	16.8	17.4	18.5
Europe	70.3	69.5	68.0	71.9	73.0
Others	6.1	5.8	4.7	5.0	5.2
Total World	**296.6**	**330.6**	**334.8**	**363.6**	**377.7**

Data: CRU-ITRI

STRUCTURAL CHANGES IN TIN SUPPLY

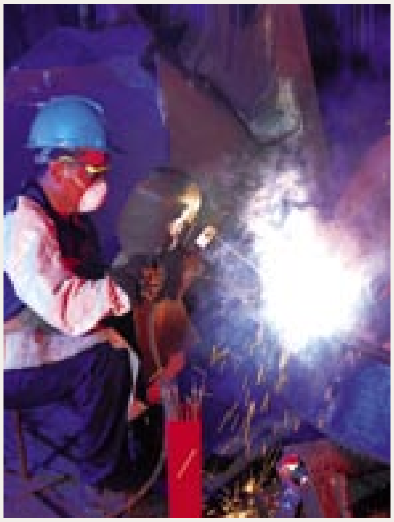
The top 10 companies producing refined tin are shown in the table below. Between them they account for almost three-quarters of world production. The top six groups (including MSC and PT Koba Tin together) account for some 65% of world production. However this gives a somewhat misleading picture of concentration of ownership. Apart from Minsur, all the smelters / refiners in the table are dependent to varying degrees on supply of concentrates from small scale mining. It has been one of the most important facts of life in the tin industry over several decades that there have been very low barriers to entry in mining and currently about half of world mine production has come from artisanal workings in Asia, Africa and South America. But this structure is now changing.

Top Ten Tin Companies, 2006

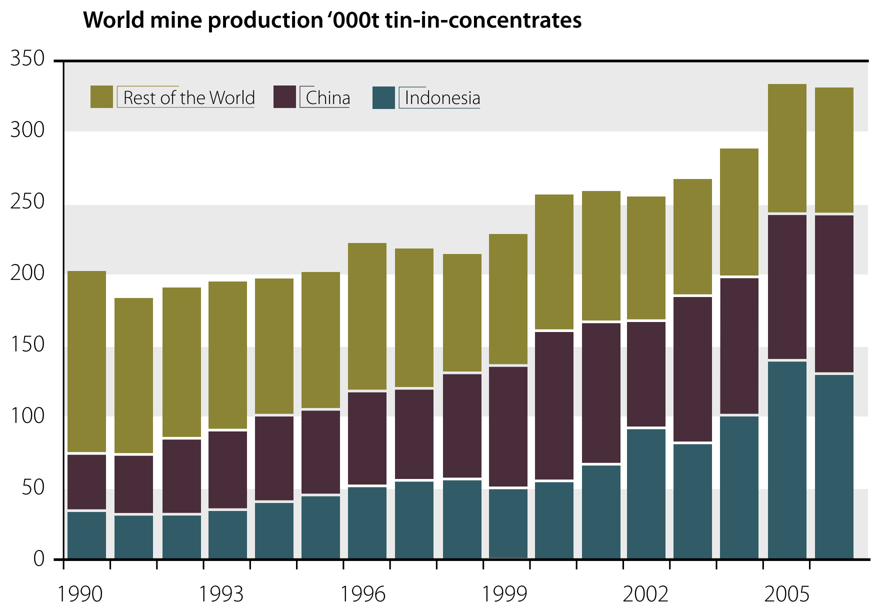
(Annual production, tonnes refined tin)

	2003	2004	2005	2006
Yunnan Tin (China)	31,662	36,321	42,720	52,399
PT Timah (Indonesia)	45,906	34,764	41,799	42,500
Minsur (Peru)	39,122	40,222	38,180	40,977
Thaisarco (Thailand)	15,225	20,651	31,539	27,828
Malaysia Smelting Corp	18,210	33,914	37,782	22,974
Yunnan Chengfeng (China)	12,676	13,257	12,616	21,765
PT Koba Tin	18,848	23,530	21,380	20,930
CM Colquiri (Bolivia)	11,500	11,330	11,826	11,804
Liuzhou China Tin (China)	13,143	11,834	11,373	10,927
Gejui Zi-Li (China)	14,080	11,858	10,384	8,990

Data: CRU-ITRI, Company reports. PT Timah estimated



TWO COUNTRIES DOMINATE WORLD SUPPLY



In 2006 the governments of both Indonesia and China – by far the two most important tin producing countries - made determined efforts to control small scale mining. The Chinese authorities closed down many small mines and in January 2007 issued a series of controls to halt investment in small scale (less than 8,000 tpy capacity) smelters. Meanwhile in Bolivia thousands of cooperative workers were integrated into the state metals company. However the most dramatic development has been the closure of more than twenty independent tin smelters on Bangka and Belitung islands in Indonesia in early October 2006. These operations were estimated to have been producing some 6,000 tonnes a month – roughly 20% of global supply. Up to the time of writing, all have remained closed and only a small number are expected to eventually be allowed to re-start. The federal and regional governments have imposed a range of requirements, including environmental controls, royalty payments and purity limits on refined tin produced, as a condition for the granting of operating licences. Most importantly, the smelters must be linked to properly controlled and licensed mining operations. These measures are likely to reduce Indonesian production by some 30,000 tonnes in 2007.

Given the large supply shortfall in Indonesia, higher prices are expected to stimulate alternative sources of supply elsewhere in the world. However Chinese production is also being constrained by the authorities there, and in any case the great majority of Chinese production is consumed locally and not therefore available to the rest of the global market. It is likely that there will be some growth in mine production in Australia, Brazil and Africa, but nowhere near the scale necessary to fully offset the Indonesian shortfall. Global growth in demand in 2007 will therefore have to be met by the drawdown of stocks, rather than by new production.

The Board of Directors fully subscribe to and support the Malaysian Code on Corporate Governance (the "Code") and the relevant provisions in the Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Accordingly, the Board considers corporate governance to be synonymous with three key concepts, namely transparency, accountability and integrity.

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

STATEMENT OF PRINCIPLES

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of Board of Directors; Directors' Remuneration; Shareholders; and Accountability and Audit.

A. BOARD OF DIRECTORS

Board Responsibilities

The Board fully acknowledges its responsibility of providing stewardship concerning the Company's and the Group's business and affairs on behalf of shareholders with a view of enhancing long term shareholder value. To fulfil this responsibility, the Board sets the strategic direction of the Group, establishes goals for Management, monitors the achievement or otherwise of these goals and ensures that the Group's internal controls and reporting procedures are adequate.

Meetings

The Board meets at least four (4) times a year at quarterly intervals, with additional meetings called when urgent or crucial decisions are required between the scheduled meetings. During the financial year under review, the Board met on six (6) occasions, where it deliberated upon various matters, including the Group's financial results, strategic decisions, appointment and reappointment of Directors and the overall direction of the Group.

Documents containing the relevant information are prepared for the Board in advance of each meeting. All proceedings from Board meetings are recorded and the minutes thereof signed by the Chairman of the meeting.

Details of Directors' attendances at meetings of the Board, Board Executive Committee ("EXCO") and Audit Committee during the financial year under review are as follows:

Director	Board	EXCO	Audit Committee
Jeneral (B) Tun Ibrahim bin Datuk Ismail	6/6	5/5	Not applicable
Mr Choi Siew Hong	6/6	5/5	5/5
Mr Norman Ip Ka Cheung	6/6	5/5	5/5
En Razman Ariffin (appointed on 15 February 2006)	5/5	Not applicable	Not applicable
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii	6/6	Not applicable	5/5
Dato' Dr Mohd Ajib Anuar	6/6	5/5	Not applicable
Dato' Wira Syed Abdul Jabbar bin Syed Hassan (resigned on 18 September 2006)	4/5	2/2	Not applicable
Dato' Ismail bin Shahudin (resigned on 18 September 2006)	5/5	2/2	Not applicable

A. BOARD OF DIRECTORS (CONT'D)

Board Committees

The Board delegates appropriate responsibilities to Board Committees, namely the EXCO, an Audit Committee, a Nominating Committee and a Remuneration Committee, in order to enhance business and operational efficiency and efficacy. Terms of reference have been established in writing for all Board Committees and the Board receives reports of their proceedings and deliberations. The Chairmen of the Committees report to the Board the outcome of the Committee meetings and such reports are incorporated in the minutes of the full Board meeting.

Board Balance

At the date of this statement, the Board consists of six (6) members, comprising three (3) Independent Non-Executive Directors, one (1) Executive Director and two (2) Non-Executive Directors. The diverse background and specialisation of Directors means that the Board is collectively equipped to provide guidance to the Group in areas such as finance, corporate affairs, marketing, operations and governmental affairs.

A brief profile of each Director is presented on pages 9 to 11 of this Annual Report.

A clear division of responsibilities at the head of the Company is demonstrated in the composition of the Board and EXCO, which are led by YBhg Jeneral (B) Tun Ibrahim bin Datuk Ismail, a non-executive Chairman whilst the executive management of the Company is headed by YBhg Dato' Dr Mohd Ajib Anuar, the Group Chief Executive Officer / Executive Director.

The roles of Chairman and the Group Chief Executive Officer are formalised and clearly defined in the Board Charter of the Company. Accordingly, the Chairman is responsible for running the Board and ensures that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Group Chief Executive Officer has been entrusted with day-to-day management of the business as well as the implementation of Board's policies and decisions.

Pursuant to Best Practice AA VII of the Code, the Board has designated Mr Choi Siew Hong as the Senior Independent Non-Executive Director of the Board to whom concerns of Directors, Shareholders, Management and others may be conveyed.

The Board is working on improving its current composition to reflect fairly the investments of the shareholders in the Company.

Supply of Information

All Directors are supplied with information in a timely manner through reports and board papers which are circulated prior to the meetings. This practice enables the Directors to obtain further information and explanation, where necessary, before the meetings.

In addition, every Director is accorded unhindered access to the advice and services of the Company Secretaries, of whom the Board believes are competent in the performance of their duties. The Company's Articles of Association specify that the removal of the Company Secretaries is a matter for the Board as a whole.

In respect of soliciting independent professional advice, the Board as a whole will determine, whether such advice where necessary should be taken by the full Board or the Directors in their individual capacity, under appropriate circumstances in furtherance of their duties. The independent professional advice, where obtained, will be at the Group's expense. Nevertheless, where necessary and under appropriate circumstances in furtherance of his duties, any Director may do so with the prior consent and approval of the Chairman.

A. BOARD OF DIRECTORS (CONT'D)

Appointments to the Board

Nominating Committee

The Nominating Committee comprises the following members:

Director		Meetings
Mr Choi Siew Hong	- Chairman, Independent Non-Executive Director	2/2
En Razman Ariffin (appointed on 15 February 2006)	- Independent Non-Executive Director	1/1
Dato' Wira Syed Abdul Jabbar bin Syed Hassan (resigned on 18 September 2006)	- Non-independent Non-Executive Director	1/2
Mr Norman Ip Ka Cheung (appointed 21 February 2007)	- Non-independent Non-Executive Director	N/A

The Nominating Committee is empowered by the Board, and through its terms of reference, to bring to the Board recommendations on the appointment of new Directors. The Committee also analyses the structure, size and composition of the Board as well as considers succession planning for senior Board members. In addition, the Committee systematically assesses the effectiveness of the Board, Board Committees and the contribution of each individual Director on an annual basis.

Appointment Process

The Committee meets at least once every year with additional meetings convened whenever the need arises (two meetings were held during the year under review). During the year, the Committee met to deliberate on the retirement by rotation of Directors and their eligibility for re-election at the Company's annual general meeting. The Committee had recommended for the Board's approval the appointment of a Director after due consideration and evaluation, coupled with meeting all legal and regulatory obligations.

The Nominating Committee believes that the current composition of the Board brings the required mix of skills, competencies and experience for the Board to discharge its duties effectively.

Directors' Training

The Board ensures that appointees to the Board are individuals of sufficient calibre, knowledge and experience to fulfil their duties as Directors of the Company. Such individuals are considered and evaluated by the Nominating Committee as described above. To enhance their knowledge and understanding of the Group's operations, visits are made by the Directors to the Group's smelting and mining sites, both in Malaysia and overseas. Additionally, Directors would attend relevant training programs.

Re-election

The Company's Articles of Association provide that all Directors of the Company are subject to retirement and at least one-third of the Board shall retire by rotation at each Annual General Meeting of the Company, providing an avenue to the shareholders to renew their mandate. The Directors to retire in each year are those who have been longest in office since their appointment or reappointment.

Directors over seventy (70) years of age are required to submit themselves for reappointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

A. BOARD OF DIRECTORS (CONT'D)

Board Executive Committee (EXCO)

The EXCO, as a pivotal Committee of the Board, focuses on corporate governance and the operational performance of the Group. The EXCO, comprises the following members:

Director		Meetings
Jeneral (B) Tun Ibrahim bin Datuk Ismail	- Chairman, Non-Executive Director	5/5
Mr Choi Siew Hong	- Independent Non-Executive Director	5/5
Mr Norman Ip Ka Cheung	- Non-Executive Director	5/5
Dato' Dr Mohd Ajib Anuar	- Executive Director	5/5
Dato' Wira Syed Abdul Jabbar bin Syed Hassan (resigned on 18 September 2006)	- Non-independent Non-Executive Director	2/2
Dato' Ismail bin Shahudin (resigned on 18 September 2006)	- Non-independent Non-Executive Director	2/2
Encik Razman Ariffin (appointed on 21 February 2007)	- Independent Non-Executive Director	N/A

The EXCO, which met five (5) times during the financial year under review, reviewed the Group's results and deliberated on recommendations to enhance and improve performance of the Group's core operations. The EXCO is also responsible for considering and recommending to the Board new business ventures, enlargement and/or diversification initiatives, all with the aim of enhancing the Group's profit and growth.

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee, during the financial year under review, comprised the following members:

Director		Meetings
Mr Norman Ip Ka Cheung	- Chairman, Non-Executive Director	1/1
Mr Choi Siew Hong	- Independent Non-Executive Director	1/1
Dato' Dr Mohd Ajib Anuar	- Executive Director	1/1

The Committee is primarily responsible for recommending the remuneration framework for Executive Directors and senior management staff, including their salary packages.

In arriving at the framework and levels of remuneration, the Committee considered information prepared by independent consultants and survey data on the remuneration practices of comparable companies. The Executive Director, who is a member of the Committee, does not participate in any way in determining his individual remuneration. Similarly, whilst the Board, as a whole, determines the remuneration of Non-Executive Directors, the individual Director concerned abstains from the decision in respect of his remuneration.

Directors' fees are set within a framework comprising responsibility fees, attendance fees and the performance of the Group. The Company remunerates each of its Directors an annual fee, which is approved by shareholders at the Annual General Meeting of the Company.

The policy adopted by the Remuneration Committee is to provide the remuneration package necessary to attract, retain and motivate the Executive Director of the quality required to manage the business of the Company and to align the interest of the Executive Director with those of the shareholders.

B. DIRECTORS' REMUNERATION (CONT'D)

Remuneration Committee (cont'd)

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

CATEGORY	FEES (RM'000)	SALARIES AND OTHER EMOLUMENTS (RM'000)
Executive Director	20	1,927
Non-Executive Directors	383	–

The number of Directors whose remuneration fell within the following bands is shown below:

RANGE OF REMUNERATION	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTORS
Above RM1million	1	–
RM50,001 to RM100,000	–	3
RM50,000 and below	–	4

C. SHAREHOLDERS

Cognisant of the value of continuous communication with its stakeholders, including the general public, the Company does this through various channels such as its annual report, announcements to Bursa Securities, and dialogue at general meetings.

Summaries of quarterly and full year results and copies of the full announcement are supplied to shareholders and members of the public upon request. Members of the public can also obtain the full financial results and the Company's announcements from Bursa Securities' website.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, the Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes as well as the quality of its financial reporting.

The annual financial statements, quarterly announcements of results to shareholders and the Chairman's statement in the Annual Report are the three primary means of communication on the results and business performance of the Group.

D. ACCOUNTABILITY AND AUDIT (CONT'D)

Directors' Responsibility Statement in respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

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

State of Internal Controls

The Statement on Internal Control furnished on pages 35 to 36 of this Annual Report provides an overview of the state of internal controls within the Group during the financial year under review.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 31 to 32 of this Annual Report.

A summary of the activities of the Audit Committee during the financial year under review, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 33 to 34 of this Annual Report.

STATEMENT OF COMPLIANCE

The Group has complied, throughout the financial year ended 31 December 2006, with all the Best Practices of corporate governance set out in Part 2 of the Code.

Date : 12 March 2007

TERMS OF REFERENCE

The Audit Committee (the "Committee") was established to act as a Committee of the Board of Directors (the "Board") to fulfill its fiduciary responsibilities. The authority, functions and duties of the Committee shall be extended to Malaysia Smelting Corporation Berhad (the "Company") and its subsidiary companies (the "Group").

1. Membership

The present members of the Committee comprise:
– Mr Choi Siew Hong, Chairman (Independent Non-Executive Director)
– Mr Norman Ip Ka Cheung (Non-Executive Director)
– Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii (Independent Non-Executive Director)

2. Composition

The Board shall elect and appoint Committee members from amongst its members, comprising no fewer than three (3) Directors, the majority of whom shall be Independent Non-Executive Directors. In this respect, the Board adopts the definition of "independent director" under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), which stipulate that at least one member of the Committee shall:

- be a member of the Malaysian Institute of Accountants ("MIA");
- if he is not a member of MIA, he must have at least three (3) years of working experience, and:
  - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
  - he must be a member of the associations of accountants specified in Part II of the Accountants Act, 1967;
- be a holder of a degree/masters/doctorate in accounting or finance and has at least 3 years' post qualification experience in accounting or finance; or
- have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

3. Meetings

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

In order to form a quorum for a meeting, the majority of members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee. The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated at least one (1) week before each meeting to members of the Committee. The minutes of all Committee meetings shall be circulated to members of the Board. The Chairman shall submit an annual report to the Board summarising the Committee's activities during the financial year and the related significant results and findings.

The Committee shall meet at least annually with the External Auditors without the presence of any executive Board member. In addition, Management, the Internal Auditor and the External Auditors may request for a private session with the Committee to discuss any matter of concern.

4. Authority

The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and employees are directed to cooperate with any request made by the Committee. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice if it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

5. Responsibilities and duties

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

- Review the Audit Committee's Terms of Reference as conditions dictate;
- Review with the External Auditors, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Appoint Internal Auditors who will report functionally to the Audit Committee and review their performance on an annual basis;
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified;
- Review major audit findings and the Management's response during the financial year with Management, External Auditors and Internal Auditors, including the status of previous audit recommendations;
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- Review the independence and objectivity of the External Auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money;
- Review the appointment and performance of External Auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- Review the Internal Audit Charter, budget and staffing of the Internal Audit Department;
- Review the adequacy and integrity, including effectiveness, of internal control systems, management information system, and the Internal Auditors' and/or External Auditors' evaluation of the said systems;
- Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- Review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
  - changes in or implementation of major accounting policy;
  - significant or unusual events; and
  - compliance with accounting standards and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, the Listing Requirements of Bursa Securities and other legislative and reporting requirements;
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on Management's integrity;
- Prepare reports, at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities; and
- Any other activities, as authorised by the Board.

AUDIT COMMITTEE REPORT

Membership

The Directors who have served as members of the Audit Committee (the "Committee") during the financial year under review and as at the date of this report are:

Director	
Mr Choi Siew Hong	Chairman, Independent Non-Executive Director
Mr Norman Ip Ka Cheung	Non-Executive Director *(Fellow of the Institute of Chartered Accountants, England and Wales)*
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii	Independent Non-Executive Director *(Fellow of the Institute of Chartered Accountants, England and Wales and member of Malaysian Institute of Accountants)*

Terms of Reference

The Audit Committee was established on 30 August 1994 to act as a Committee of the Board of Directors, with the terms of reference set out on pages 31 to 32 of this Annual Report.

Meetings

The Committee convened five (5) meetings during the financial year under review. Details of the members' attendances are shown in the Statement on Corporate Governance set out on page 25 of this Annual Report. The meetings were structured through the use of agendas, which were distributed to members with sufficient notification.

The Company Secretaries were present at all the meetings. Representatives of the External Auditors, the General Manager, Group Internal Audit, as well as the Group Chief Executive Officer, Group Chief Operating Officer and the Group Chief Financial Officer also attended the meetings, where appropriate, upon invitation of the Committee.

Summary of activities of the Committee during the financial year under review

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

- Reviewed with the External Auditors:
  - (a) Their scope of work and audit plan;
  - (b) The audited financial statements of the Group and the Company prior to submission to the Board for consideration and approval;
  - (c) Their management letter, including Management's response relating to the issues highlighted; and
  - (d) Without the presence of Management, the extent of cooperation of Management in providing required information, explanation and clarification and whether there had been any problems impinging on their independence and objectivity in the course of their audit;
- Reviewed with the Group Chief Executive Officer, the Group Chief Financial Officer and other Senior Management staff the unaudited quarterly financial statements before submission to the Board for consideration and approval for release to Bursa Malaysia Securities Berhad;
- Reviewed the Internal Audit Department's resource requirements, programmes and plan for the financial year under review and the annual assessment of the Internal Audit Department's performance;
- Reviewed with the Internal Auditor and Senior Management staff the findings in the internal audit reports, including corrective actions taken or proposed to be taken by the Management;
- Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group; and
- Considered and recommended to the Board audit fees payable to the External Auditors and the re-appointment of External Auditors for the Board's submission to shareholders for approval at the Annual General Meeting.

Group Internal Audit Function

The Group Internal Audit Department is independent of the activities or operations it audits. The principal role of the Group Internal Audit Department is to undertake regular and systematic reviews of the systems of internal control in order to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the Internal Audit Department to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units within the Group's established policies and procedures as well as relevant statutory requirements.

Further details of the activities of the Internal Audit Department are set out in the Statement on Internal Control on pages 35 and 36 of this Annual Report.

Date : 12 March 2007

STATEMENT ON INTERNAL CONTROL

Introduction

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires the Board of Directors of any public listed company to include in its annual report a "statement about the state of internal control of the listed issuer as a group". The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year under review.

Board Responsibility

The Board is ultimately responsible for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter-alia, financial, operational and compliance controls and risk management procedures.

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the financial year under review. The Board regularly reviews this process, which accords with the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance").

Whilst the Board maintains ultimate control over risk and control issues, it has delegated to Management the implementation of the system of risk management and internal control within an established framework. The Board has established key policies and has carried out a specific assessment of the Group's risk management and internal control systems.

Enterprise risk management framework

The Board fully supports the contents of the Internal Control Guidance and, through the Audit Committee, continually reviews the adequacy and effectiveness of the risk management processes in place within the various operating businesses in Malaysia and the Republic of Indonesia, with the aim of strengthening the risk management functions across the Group.

Management is responsible for the management of risks, for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further, independent assurance is provided by the internal audit function, which operates across the Group, with emphasis on key companies in the Group.

The Board believes that maintaining a sound system of internal control is premised upon a clear understanding and appreciation of the following key elements of the Group's enterprise risk management framework:

- A risk management structure, which depicts the lines of reporting and responsibility at the Board, Audit Committee and Management levels, has been established. This is clearly demonstrated in the setting up of the Group Risk Management Steering Committee, which is primarily responsible for the enhancement of risk oversight and management, and integrating expectation on risk management into periodic performance management and reporting;

- The Audit Committee, which is assisted by Group Internal Audit Function and external consultants, undertakes the responsibility to identify and communicate to the Board of Directors the critical risks (present and potential) the Group faces, their changes, and the management action plans to manage the risks;

- Risk appetite (qualitative and quantitative) for the major business units in the Group have been determined so as to gauge acceptability of risk exposure;

- The Group Internal Audit Function has been entrusted to coordinate enterprise risk management within the Group and to provide clear leadership, direction and coordination of the group-wide application of risk management;

- The issuance of a Risk Management Policy and Guidelines Document, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues;

Enterprise risk management framework (cont'd)

- The Group Management's implementation of a group-wide risk assessment process, which identifies the key risks facing each major business unit, the potential impact and likelihood of those risks occurring, the control effectiveness and action plans being taken to manage those risks to the desired level. A database of all risks and controls has been created, and information filtered to produce a detailed risk register, and individual risk profiles for the major business units; and

- Key management of each business unit has prepared action plans, with implementation time-scales to address any risk and control issues on an ongoing basis.

The Board considers that the enterprise risk management framework is robust, but will still subject the framework to continuous improvement, taking into consideration better practices and the changing business environment, where appropriate.

Internal Audit Function

An independent Group Internal Audit Department provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance systems.

The Group Internal Audit Function independently reviews the risk identification procedures and control processes implemented by Management, and reports to the Audit Committee periodically. The Group Internal Audit Department also reviews the internal controls in the key activities of the Group's businesses based on a rolling 3-year internal audit strategy and plan in line with the risk profiles of the major business units in the Group. In addition, the Group Internal Audit Department carries out periodic assignments to ensure the policies and procedures established by the Board are complied with by Management.

The Audit Committee considers reports from the Group Internal Audit Function and from Management, before reporting and making recommendations to the Board in strengthening the internal control and governance systems. Internal control deficiencies highlighted by the Internal Audit Function for improvements are independently monitored and followed up to ensure recommendations and action plans to address the issues are carried out by Management to enhance the system of internal controls on a timely basis. The Committee presents its findings to the Board on a quarterly basis.

Other risk and control processes

Apart from risk management and internal audit, the Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability.

Other procedures have included the establishment of limits of authority coupled with the publication of the Management Staff Handbook. Periodically negotiated Collective Agreements places importance on, amongst others, policies on health and safety, training and development, equality of opportunity, staff performance and serious misconduct. These procedures are relevant across the Group's operations and provide for continuous assurance to be given at increasingly higher levels of management and, finally, to the Board. The effectiveness of these processes is reviewed by the Group Internal Audit Function, which provides a degree of assurance on the validity of the systems of internal control.

The Group Chief Executive Officer also reports to the Board on significant changes in the business and the external environment. Additionally, the Group Chief Financial Officer furnishes the Board and the Audit Committee with quarterly financial information, which includes pertinent key performance indicators. This includes, among others, the monitoring of results against budget, explanations on variances arising and management action taken. Where areas of improvement in the system are identified, the Board considers the recommendation made by the Audit Committee and the Management.

Weaknesses in internal controls that result in material losses

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

Date : 12 March 2007

FINANCIAL STATEMENTS

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 2006.

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 13 and 14 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	44,468	34,100
Attributable to:		
Equity holders of the Company	41,510	34,100
Minority interests	2,958	–
	44,468	34,100

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 other than the effects arising from the changes in accounting policies due to the adoption of the new and revised FRSs which has resulted in a decrease in the Group's and the Company's profit for the year by RM531,000 respectively as disclosed in Note 2.3f(ii) to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2005 were as follows:

	RM'000
In respect of the financial year ended 31 December 2005 as reported in the directors' report of that year:	
Second interim dividend of 10 sen tax exempt and 5 sen less tax at 28 % per share paid on 28 March 2006	10,200
In respect of the financial year ended 31 December 2006:	
Interim dividend of 8 sen tax exempt per share paid on 28 September 2006	6,000

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company to be held on 23 April 2007, the directors recommend the payment of a final dividend of 12 sen per RM1.00 ordinary shares less 27% tax, totalling RM6.57 million net for the financial year ended 31 December 2006. This dividend will be paid on 28 May 2007 to members registered on the Company's register at the close of business at 4.00 pm on 11 May 2007.

The financial statements for the current financial year do not reflect this proposed dividend. This will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

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	
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii	
En. Razman Ariffin	
Dato' Wira Syed Abdul Jabbar bin Syed Hassan	(Resigned on 18/9/2006)
Dato' Ismail bin Shahudin	(Resigned on 18/9/2006)

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

Mr. Choi Siew Hong, being over seventy years of age, retires in accordance with Section 129(2) of the Companies Act, 1965 and offers himself for reappointment in accordance with Section 129(6) of the said Act to hold office until the conclusion of the next Annual General Meeting.

Jeneral (B) Tun Ibrahim bin Datuk Ismail, being over seventy years of age, retires in accordance with Section 129(2) of the Companies Act, 1965 and does not offer himself for reappointment.

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(ii) 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.

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 holding company, the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of SGD1 each			
	1 January 2006/ * At date of appointment	Bought	Sold	31 December 2006
Holding Company				
Direct interest				
Jeneral (B) Tun Ibrahim bin Datuk Ismail	6,000	–	–	6,000
Mr. Norman Ip Ka Cheung	23,640	–	–	23,640
En. Razman Ariffin	* 1,200	–	–	1,200
Indirect interest				
Mr. Norman Ip Ka Cheung	25,644	–	–	25,644

	Number of ordinary shares of RM1 each			
The Company	1 January 2006/ * At date of appointment	Bought	Sold	31 December 2006
Direct interest				
Jeneral (B) Tun Ibrahim bin Datuk Ismail	10,000	–	–	10,000
Dato' Dr Mohd. Ajib Anuar	250,000	550,000	–	800,000
Mr. Choi Siew Hong	30,000	55,000	-	85,000
Mr. Norman Ip Ka Cheung	100,000	150,000	–	250,000
En. Razman Ariffin	* 12,000	55,000	-	67,000

* At date of appointment on 15 February 2006.

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 any 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.

OTHER STATUTORY INFORMATION (CONT'D)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

i. any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
ii. any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

i. other than the contingent liabilities as disclosed in Note 29 to the financial statements, 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; 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.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 33 to the financial statements.

SUBSEQUENT EVENT

Details of subsequent event are disclosed in Note 34 to the financial statements.

ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is The Straits Trading Company Limited, a public limited liability company incorporated in Singapore.

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 on behalf of the board in accordance with a resolution of the directors dated 12 March 2007.

JENERAL (B) TUN IBRAHIM BIN DATUK ISMAIL **DATO' DR MOHD. AJIB ANUAR**

STATEMENT BY DIRECTORS

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

We, JENERAL (B) TUN IBRAHIM BIN DATUK ISMAIL and DATO' DR MOHD AJIB ANUAR, being two of the directors of MALAYSIA SMELTING CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 44 to 103 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the board in accordance with a resolution of the directors dated 12 March 2007.

JENERAL (B) TUN IBRAHIM BIN DATUK ISMAIL

DATO' DR MOHD. AJIB ANUAR

STATUTORY DECLARATION

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

I, YAP FOOK PING, being the officer primarily responsible for the financial management of MALAYSIA SMELTING CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 44 to 103 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 12 March 2007.

YAP FOOK PING

Before me,

CHAI CHOON KIAT, PJM
P073
Commissioner for Oaths
Penang

ERNST & YOUNG
(Firm No: AF: 0039)

Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50940 Kuala Lumpur

Mail Address:
P.O. Box 10068
Kuala Lumpur

Phone: (03) 74958000
Fax: (03) 20955332
www.ey.com

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

We have audited the financial statements set out on pages 44 to 103. 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 for Entities Other Than Private Entities 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 2006 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 13 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

MOHD. SUKARNO BIN TUN SARDON
1697/03/09 (J)
Partner

Kuala Lumpur, Malaysia
Date: 12 March 2007

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

		Group		Company	
		2006	2005	2006	2005
	Note	RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
Revenue	3	**1,637,704**	1,692,830	**1,637,322**	1,683,341
Profit from operations	3	**86,770**	99,995	**60,414**	67,385
Finance costs	4	**(21,163)**	(12,052)	**(16,144)**	(10,055)
Share of loss of associates		**(927)**	(1,358)	**–**	–
Profit before tax		**64,680**	86,585	**44,270**	57,330
Taxation	6	**(20,212)**	(22,612)	**(10,170)**	(11,956)
Profit for the year		**44,468**	63,973	**34,100**	45,374
Attributable to:					
Equity holders of the Company		**41,510**	56,741	**34,100**	45,374
Minority interest		**2,958**	7,232	**–**	–
		44,468	63,973	**34,100**	45,374
Earnings per share attributable to equity holders of the Company - (sen)					
- Basic, for profit for the year	7	**55.3**	75.7		
Net dividends paid per share - (sen)	8	**21.6**	28.8	**21.6**	28.8

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

AS AT 31 DECEMBER 2006

	Note	Group 2006 RM'000	Group 2005 RM'000 (restated)	Company 2006 RM'000	Company 2005 RM'000 (restated)
NON-CURRENT ASSETS					
Property, plant and equipment	9	**95,568**	138,158	**8,229**	35,134
Prepaid land lease payments	10	**1,472**	1,693	**–**	–
Base inventory	11	**3,000**	3,000	**3,000**	3,000
Intangible assets	12	**6,944**	8,518	**–**	–
Investment in subsidiaries	13	**–**	–	**18,366**	18,366
Investment in associates	14	**18,419**	19,566	**13,253**	15,126
Other investments	15	**249**	520	**249**	520
Other assets	16	**16,509**	22,466	**–**	–
Deferred tax assets	27	**14,955**	9,887	**58**	–
		157,116	203,808	**43,155**	72,146
CURRENT ASSETS					
Inventories	17	**300,977**	380,543	**96,947**	144,351
Trade and other receivables	18	**152,479**	96,538	**331,127**	333,141
Tax recoverable		**14,852**	11,660	**–**	–
Cash, bank balances and deposits	19	**99,953**	64,582	**81,366**	37,834
		568,261	553,323	**509,440**	515,326
Non-current asset classified as held for sale	20	**4,660**	–	**4,660**	–
		572,921	553,323	**514,100**	515,326
CURRENT LIABILITIES					
Provisions for liabilities	21	**3,087**	2,714	**600**	897
Borrowings	22	**283,281**	340,530	**283,281**	340,530
Trade and other payables	23	**69,402**	51,587	**38,493**	21,291
Current tax payable		**2,006**	6,081	**395**	5,177
		357,776	400,912	**322,769**	367,895
NET CURRENT ASSETS		**215,145**	152,411	**191,331**	147,431
		372,261	356,219	**234,486**	219,577
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	24	**75,000**	75,000	**75,000**	75,000
Other reserves	25	**7,981**	28,916	**3,443**	3,443
Retained earnings	26	**219,368**	180,178	**156,043**	138,143
		302,349	284,094	**234,486**	216,586
Minority interest		**36,900**	36,684	**–**	–
Total Equity		**339,249**	320,778	**234,486**	216,586
NON-CURRENT LIABILITIES					
Provisions for liabilities	21	**31,111**	30,572	**–**	–
Deferred tax liabilities	27	**1,901**	2,541	**–**	663
Borrowings	22	**–**	2,328	**–**	2,328
		33,012	35,441	**–**	2,991
		372,261	356,219	**234,486**	219,577

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

		← Attributable to equity holders of the Company →					
			Non-Distributable	Distributable			
Group	**Note**	**Share Capital RM'000**	**Other Reserves (Note 25) RM'000**	**Retained Earnings RM'000**	**Total RM'000**	**Minority Interest RM'000**	**Total Equity RM'000**
At 1 January 2005		75,000	26,078	147,357	248,435	38,454	286,889
Effects of adopting :							
FRS121	2.3 (e)	–	2,320	(2,320)	–	–	–
At 1 January 2005 (restated)		75,000	28,398	145,037	248,435	38,454	286,889
Foreign currency translation representing net losses not recognised in the income statement		–	(1,703)	–	(1,703)	–	(1,703)
Revaluation surplus for the year		–	3,084	–	3,084	1,027	4,111
Transfer to deferred taxation		–	(863)	–	(863)	(288)	(1,151)
Net income recognised directly in equity		–	518	–	518	739	1,257
Profit for the year		–	–	56,741	56,741	7,232	63,973
Total recognised income and expense for the year		–	518	56,741	57,259	7,971	65,230
Dividends	8	–	–	(21,600)	(21,600)	–	(21,600)
Dividends to minority shareholders of a subsidiary company		–	–	–	–	(9,741)	(9,741)
At 31 December 2005 (restated)		75,000	28,916	180,178	284,094	36,684	320,778
At 1 January 2006							
As previously stated		**75,000**	**27,421**	**181,673**	**284,094**	**36,684**	**320,778**
Effects of adopting :							
FRS 121	2.3 (e)	**–**	**1,495**	**(1,495)**	**–**	**–**	**–**
At 1 January 2006 (restated)		**75,000**	**28,916**	**180,178**	**284,094**	**36,684**	**320,778**
Effects of adopting :							
FRS 3	2.3 (a)	**–**	**(13,880)**	**13,880**	**–**	**–**	**–**
		75,000	**15,036**	**194,058**	**284,094**	**36,684**	**320,778**
Foreign currency translation representing net losses not recognised in the income statement		**–**	**(7,055)**	**–**	**(7,055)**	**(2,742)**	**(9,797)**
Net expense recognised directly in equity		**–**	**(7,055)**	**–**	**(7,055)**	**(2,742)**	**(9,797)**
Profit for the year		**–**	**–**	**41,510**	**41,510**	**2,958**	**44,468**
Total recognised income and expense for the year		**–**	**(7,055)**	**41,510**	**34,455**	**216**	**34,671**
Dividends	8	**–**	**–**	**(16,200)**	**(16,200)**	**–**	**(16,200)**
At 31 December 2006		**75,000**	**7,981**	**219,368**	**302,349**	**36,900**	**339,249**

FOR THE YEAR ENDED 31 DECEMBER 2006

			Non-Distributable	Distributable	
		Share	Other Reserves	Retained	Total
		Capital	(Note 25)	Earnings	Equity
Company	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2005		75,000	1,123	116,689	192,812
Effects of adopting :					
FRS121	2.3 (e)	–	2,320	(2,320)	–
At 1 January 2005 (restated)		75,000	3,443	114,369	192,812
Profit for the year		–	–	45,374	45,374
Total recognised income and expense for the year		–	–	45,374	45,374
Dividends	8	–	–	(21,600)	(21,600)
At 31 December 2005 (restated)		75,000	3,443	138,143	216,586
At 1 January 2006		**75,000**	**2,439**	**139,147**	**216,586**
Effects of adopting :					
FRS121	2.3 (e)	**–**	**1,004**	**(1,004)**	**–**
At 1 January 2006 (restated)		**75,000**	**3,443**	**138,143**	**216,586**
Profit for the year		**–**	**–**	**34,100**	**34,100**
Total recognised income and expense for the year		**–**	**–**	**34,100**	**34,100**
Dividends	8	**–**	**–**	**(16,200)**	**(16,200)**
At 31 December 2006		**75,000**	**3,443**	**156,043**	**234,486**

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**64,680**	86,585	**44,270**	57,330
Adjustments for:				
Amortisation of mining rights on consolidation	**1,574**	1,404	**–**	–
Amortisation and write off of deferred mine development and exploration expenditure	**8,003**	1,003	**–**	–
Depreciation	**15,120**	18,179	**1,534**	1,557
Amortisation of land lease payment	**170**	162	**–**	–
Interest expense	**21,150**	12,011	**16,130**	10,040
Increase/(Decrease) in provision for diminution in value of investment in an associate	**347**	(1,500)	**1,873**	1,190
Provision for diminution in value of other investments	**271**	588	**271**	588
Provision for mine rehabilitation	**2,201**	1,625	**–**	–
Provision for severance benefits	**4,981**	3,604	**–**	–
Provision for inventory obsolescence	**13,700**	18,293	**–**	–
Increase in provision for unutilised annual leave	**27**	164	**–**	151
Share of loss of associates	**927**	1,358	**–**	–
Specific provision for doubtful debts	**407**	3,452	**–**	3,125
Specific provision for doubtful debts recovered	**(1,171)**	(6,202)	**(1,171)**	(6,202)
Dividend income	**–**	–	**(47)**	(140)
Gain on disposal of property, plant and equipment	**(3,003)**	(1,540)	**(3,003)**	(53)
Interest income	**(4,259)**	(6,944)	**(27,549)**	(21,544)
Operating profit before working capital changes	**125,125**	132,242	**32,308**	46,042
Decrease/(Increase) in inventories	**65,866**	(130,505)	**47,402**	(50,200)
(Increase)/Decrease in receivables	**(54,861)**	39,104	**(63,088)**	65,830
Decrease/(Increase) in amount due from subsidiaries	**–**	–	**66,588**	(166,900)
Decrease in amount due from associates	**1,123**	3,257	**1,123**	3,257
Increase in amount due from a related company	**(517)**	–	**(517)**	–
Increase/(Decrease) in payables	**17,062**	(6,036)	**16,455**	967
Decrease in amount due to a subsidiary	**–**	–	**(3)**	(1)
Decrease in amount due to an associate	**(500)**	–	**(500)**	–
Cash generated from/(used in) operations	**153,298**	38,062	**99,768**	(101,005)
Income tax paid	**(34,266)**	(74,573)	**(15,678)**	(12,106)
Interest paid	**(19,675)**	(11,326)	**(14,655)**	(9,357)
Severance benefits paid	**(5,583)**	(2,118)	**(297)**	–
Net cash from/(used in) operating activities carried forward	**93,774**	(49,955)	**69,138**	(122,468)

CASH FLOW STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM'000	2005 RM'000 (restated)	2006 RM'000	2005 RM'000 (restated)
Net cash from/(used in) operating activities brought forward	**93,774**	(49,955)	**69,138**	(122,468)
CASH FLOWS FROM INVESTING ACTIVITIES				
Release of fixed deposit pledged by a subsidiary	**–**	1,590	**–**	–
Purchase of shares in an associate	**–**	(5,843)	**–**	(5,843)
Gross dividend received from an associate	**47**	140	**47**	140
Interest received	**3,113**	6,890	**26,402**	21,490
Purchase of property, plant and equipment	**(2,467)**	(34,660)	**(180)**	(1,278)
Payment of deferred mine development and exploration expenditure (net)	**(3,095)**	(17,796)	**–**	–
Proceeds from disposal of property, plant and equipment	**23,903**	1,565	**23,903**	61
Net cash from/(used in) investing activities	**21,501**	(48,114)	**50,172**	14,570
CASH FLOWS FROM FINANCING ACTIVITIES				
(Repayment)/Borrowings from short term trade financing	**(37,751)**	98,896	**(47,176)**	98,896
Repayment of term loans	**(12,973)**	(13,217)	**(12,402)**	(13,217)
Effect of changes in foreign exchange rates	**(12,980)**	(3,077)	**–**	–
Dividends paid				
– shareholders of the Company	**(16,200)**	(21,600)	**(16,200)**	(21,600)
– minority shareholders	**–**	(9,742)	**–**	–
Net cash (used in)/from financing activities	**(79,904)**	51,260	**(75,778)**	64,079
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**35,371**	(46,809)	**43,532**	(43,819)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**64,582**	111,391	**37,834**	81,653
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 19)	**99,953**	64,582	**81,366**	37,834

The accompanying notes form an integral part of the financial statements

1. 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 13 and 14 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

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 immediate and ultimate holding company of the Company is The Straits Trading Company Limited, a public limited liability company listed on the Singapore Stock Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 March 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards (FRSs) which are mandatory for financial period beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except that certain freehold land and buildings are stated at valuation.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

ii. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(b) Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

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

(c) Intangible Assets

i. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

iii. Mining Rights

Mining rights acquired in a business combination are stated at their fair values as at the date of acquisition. Following initial recognition, mining rights are carried at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mining rights are amortised based on the unit-of-production method so as to write off the mining rights in proportion to the depletion of the estimated economically recoverable ore reserves. The amortisation period and the amortisation method are reviewed at least at each financial year end.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(c) Intangible Assets (cont'd)

iv. Mine Exploration and Evaluation Expenditure

Mine exploration and evaluation expenditure is stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mine Exploration and evaluation expenditure incurred in an area of interest 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 ore reserves.

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

When production commences, the accumulated cost for the relevant area of interest is amortised based on the unit-of-production method so as to write off the expenditure in proportion to the depletion of the estimated economically recoverable ore reserves.

A review is carried out annually on the carrying amount of deferred exploration and evaluation expenditures to determine whether there is any indication of impairment. An impairment loss is recognised as an expense in the income statement.

v. Mine Development Expenditure

Mine development expenditure is stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mine development expenditure incurred in connection with development activities in respect of each area of interest, which includes all activities conducted in the preparation of economically recoverable ore reserves until commercial production is accumulated in respect of each identifiable area of interest. These costs are only deferred to the extent that they are expected to be recouped through the successful development of the area. Mine development expenditure which is considered to provide minimal benefit to future periods is charged to income statement.

When production in an area of interest commences, the accumulated cost for the relevant area of interest is amortised based on the unit-of-production method so as to write off the expenditure in proportion to the depletion of the estimated economically recoverable ore reserves.

A review is carried out annually on the carrying amount of deferred development expenditure to determine whether there is any indication of impairment. An impairment loss is recognised as an expense in the income statement.

(d) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment and Depreciation

All item of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed at least once in every five years to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that reverses a revaluation decrease for the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in the income statement.

In the tin mining subsidiary, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves over the estimated useful lives of the assets. Changes in estimated ore 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 Group is provided for on the straight line method 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 where appropriate. No depreciation is provided on freehold land or capital work-in-progress as these assets are not available for use. The estimated useful lives for these remaining assets are as follows:

Buildings	8 to 40 years or life of mine, where appropriate, whichever is shorter.
Plant, equipment and vehicles	3 to 40 years
Furniture	4 to 10 years

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any 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 earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(f) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(h) Inventories

Inventories are stated 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. Cost of inventories of tin-in-concentrates and tin-in-process which have matcing sales contract for refined tin metal from tin smelting operations, are stated at the value of such contract less allowance for conversion. This value is consistent with cost, as it is the practice of tin smelting operations of the Company to buy tin-in-concentrates and sell refined tin metal on a back to back price basis.

Absorption costing is used in the mining operations to assign costs to tin inventories using the weighted average cost method which includes both variable and fixed overhead cost components. The cost of purchased tin-in-concentrates prior to processing comprises cost of purchase.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) 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 recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net or to realise the asset and settle the liability simultaneously.

i. Cash and Cash Equivalents

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

ii. 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 net disposal proceeds and its carrying amount is recognised in the income statement.

iii. Trade and Other Receivables

Trade and Other 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.

iv. Trade and Other Payables

Trade and Other Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not these are billed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(i) Financial Instruments (cont'd)

v. Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

vi. Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributed to the equity transaction which would otherwise have been avoided.

vii. Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(j) Leases

i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions :

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

ii. Operating Leases - the Group as Lessee

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(k) Borrowing 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(l) 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, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arises from goodwill or negative goodwill or from the 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 period 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 as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(n) 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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plans

Define contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(n) Employee Benefits (cont'd)

iii. Severance Benefits

The Subsidiaries in Indonesia operates an unfunded, defined Severance Benefits Scheme ("the Scheme") for its eligible employees. The subsidiaries obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and 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 Scheme exceed 10% of the present value of the defined benefit obligation. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are 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 acturial 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 possibility of withdrawal.

(o) Foreign Currencies

i. Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the functional currency. The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

ii. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in the income statement in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recongised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(o) Foreign Currencies (cont'd)

iii. Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated in RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(p) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of Goods

Revenue is recognised net of sales taxes upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii. Interest Income

Interest income is recognised on an accrual basis using effective interest method.

iii. Dividend Income

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

iv. Tin Warrant and other service charges

Revenue is recognised upon performance of services.

v. Warehouse Rent

Revenue is recognised on an accrual basis.

(q) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 : Non-Current Assets Held for Sale and Discontinued Operations, that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following new and revised FRSs mandatory for financial period beginning on or after 1 January 2006:

FRS 2	:	Share-based Payments
FRS 3	:	Business Combinations
FRS 5	:	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	:	Presentation of Financial Statements
FRS 102	:	Inventories
FRS 108	:	Accounting Policies, Changes in Estimates and Errors
FRS 110	:	Events after the Balance Sheet Date
FRS 116	:	Property, Plant and Equipment
FRS 121	:	The Effects of Changes in Foreign Exchange Rates
FRS 127	:	Consolidated and Separate Financial Statements
FRS 128	:	Investments in Associates
FRS 131	:	Interests in Joint Ventures
FRS 132	:	Financial Instruments – Disclosure and Presentation
FRS 133	:	Earnings Per Share
FRS 136	:	Impairment of Assets
FRS 138	:	Intangible Assets
FRS 140	:	Investment Property

In addition, the Group has early adopted the following new and revised FRSs for the financial period beginning 1 January 2006:

FRS 6	:	Exploration for and Evaluation of Mineral Resources
FRS 117	:	Leases
FRS 124	:	Related Party Disclosures

At the date of authorisation of these financial statements, the Group has not early adopted the deferred FRS 139 : Financial Instruments – Recognition and Measurement and the following amendments to FRS and Interpretations were in issue but not yet effective:

i.	Amendment to FRS 119_{2004}	:	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
ii.	Amendment to FRS 121	:	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation.
iii.	IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities.
iv.	IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments.
v.	IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
vi.	IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.
vii.	IC Interpretation 7	:	Applying the Restatement Approach under FRS 129_{2004} : Financial Reporting in Hyperinflationary Economies.
viii.	IC Interpretation 8	:	Scope of FRS 2

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

The adoption of the above amendments and Interpretations, if any, will have no impact on the financial statements of the Group and the Company except for the following:

i. Amendment to FRS 119 $_{2004}$: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosure

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses arising from post-employment defined benefit plans. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intent to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment from financial period beginning 1 January 2007.

ii. Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

This amendment requires that where an entity has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this amendment, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation. The Group will apply this amendment from financial period beginning 1 January 2008. As it is not possible to reasonably estimate the exchange rates applicable to such monetary items for future periods, the directors are therefore unable to determine if the initial adoption of this amendment will have a material impact on the consolidated financial statements for the financial year ending 31 December 2008.

The adoption of the new and revised FRSs do not result in significant changes in accounting policies of the Group except for the following principal changes in accounting policies and their effects resulting therefrom as discussed below:

(a) FRS 3 : Business Combinations

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in the income statement. In accordance with the transitional provisions of FRS 3, the reserve on consolidation as at 1 January 2006 of RM13.88 million was derecognised with a corresponding increase in retained earnings.

As the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.3(f)(i). This change has no impact on the Company's financial statements.

(b) FRS 5 : Non-current Assets Held for Sale and Discontinued Operations

Prior to 1 January 2006, non-current assets held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets held for sale and those for continuing use. Upon the adoption of FRS 5, non-current assets held for sale are classified as current assets and are stated at the lower of carrying amount and fair value less costs to sell.

The Group has applied FRS 5 prospectively in accordance with the transitional provision and the change has no impact on amounts reported for 2005 or prior periods. The effects on the balance sheet as at 31 December 2006 are set out in Note 2.3(f)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(c) FRS 101 : Presentation of Financial Statements

Prior to 1 January 2006, minority interest at the balance sheet date was presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interest is now presented within total equity. In the consolidated income statement, minority interest is presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interest.

Prior to 1 January 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the respective shares of profit or loss reported on the consolidated income statement before arriving at the Group's profit or loss before taxation.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(g), certain comparatives have been restated. This change in presentation has no impact on the Company's financial statements.

(d) FRS 117 : Leases

Prior to 1 January 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed in Note 2.3(g), certain comparatives have been restated. The effect on the consolidated balance sheet as at 31 December 2006 is set out in Note 2.3(f)(i). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

(e) FRS 121 : The Effects of Changes in Foreign Exchange Rates

(i) Exchange differences on a monetary item that forms part of the Group's or the Company's net investment in a foreign operation

Prior to 1 January 2006, exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, regardless of the currency of the monetary item, were recognised in equity in the Company's separate financial statements. Under the revised FRS 121, such exchange differences are now recognised in the income statement.

In addition, prior to 1 January 2006, exchange differences arising on foreign currency borrowing that provide a hedge against a net investment in a foreign entity were recognized in equity. Under the revised FRS 121, such exchange differences are now recognised in the income statement.

These changes in accounting policy have been accounted for retrospectively and as disclosed in Note 2.3(g), certain comparatives have been restated. The effects on the Group's and Company's balance sheet as at 31 December 2006 and income statement for the year ended 31 December 2006 are set out in Note 2.3(f)(i) and Note 2.3(f)(ii) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(f) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheet and income statement for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on balance sheet as at 31 December 2006

Description of Change	Note	FRS 3 RM'000	FRS 5 RM'000	FRS 101 RM'000	FRS 117 RM'000	FRS 121 RM'000	Total RM'000
		Increase/(Decrease)					
Group							
Property, plant and equipment	2.3(b) & 2.3(d)	–	(4,660)	–	(1,472)	–	(6,132)
Prepaid land lease payments	2.3 (d)	–	–	–	1,472	–	1,472
Non–current asset classified as held for sale	2.3 (b)	–	4,660	–	–	–	4,660
Foreign currency translation reserve	2.3 (e)	–	–	–	–	531	531
Retained earnings		13,880	–	–	–	(531)	13,349
Other reserves	2.3 (a)	(13,880)	–	–	–	–	(13,880)
Total equity	2.3 (c)	–	–	36,900	–	–	36,900

Description of Change	Note	FRS 5 RM'000	FRS 101 RM'000	FRS 117 RM'000	FRS 121 RM'000	Total RM'000
		Increase/(Decrease)				
Company						
Property, plant and equipment	2.3 (b)	(4,660)	–	–	–	(4,660)
Non–current asset classified as held for sale	2.3 (b)	4,660	–	–	–	4,660
Foreign currency translation reserve	2.3 (e)	–	–	–	531	531
Retained earnings		–	–	–	(531)	(531)

(ii) Effects on income statement for the year ended 31 December 2006

Description of Change	Note	FRS 101 RM'000	FRS 121 RM'000	Total RM'000
		Increase/(Decrease)		
Group				
Other expenses	2.3 (e)	–	531	531
Share of loss of associates	2.3 (c)	358	–	358
Profit before tax		(358)	(531)	(889)
Income tax expense	2.3 (c)	(358)	–	(358)
Profit for the year		–	(531)	(531)
Company				
Other expenses	2.3 (e)	–	531	531
Profit before tax		–	(531)	(531)
Profit for the year		–	(531)	(531)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(g) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of Change	Note	Previously Stated RM'000	← Increase/ (Decrease) FRS 3 RM'000	FRS 5 RM'000	FRS 101 RM'000	FRS 117 RM'000	FRS 121 RM'000 →	Restated RM'000
At 1 January 2005								
Group								
Property, plant and equipment	2.3 (d)	119,725	–	–	–	(1,860)	–	117,865
Prepaid land lease payments	2.3 (d)	–	–	–	–	1,860	–	1,860
Foreign currency translation reserve	2.3 (e)	1,298	–	–	–	–	2,320	3,618
Retained earnings		147,357	–	–	–	–	(2,320)	145,037
Total equity	2.3 (c)	248,435	–	–	38,454	–	–	286,889
Company								
Foreign currency translation reserve	2.3 (e)	(2,320)	–	–	–	–	2,320	–
Retained earnings		116,689	–	–	–	–	(2,320)	114,369
At 31 December 2005								
Group								
Property, plant and equipment	2.3 (d)	139,851	–	–	–	(1,693)	–	138,158
Prepaid land lease payments	2.3 (d)	–	–	–	–	1,693	–	1,693
Foreign currency translation reserve	2.3 (e)	420	–	–	–	–	1,495	1,915
Retained earnings		181,673	–	–	–	–	(1,495)	180,178
Total equity	2.3 (c)	284,094	–	–	36,684	–	–	320,778
Company								
Foreign currency translation reserve	2.3 (e)	(1,004)	–	–	–	–	1,004	–
Retained earnings		139,147	–	–	–	–	(1,004)	138,143

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(g) Restatement of Comparatives (cont'd)

Description of Change	Note	Previously Stated RM'000	Increase/(Decrease) FRS 101 RM'000	Increase/(Decrease) FRS 124 RM'000	Restated Total RM'000
For the year ended 31 December 2005					
Group					
Other income	2.3(e)	22,793	–	825	23,618
Operating profit		99,170	–	825	99,995
Share of loss of associates	2.3(c)	(1,185)	(173)	–	(1,358)
Profit before taxation		85,933	(173)	825	86,585
Income tax expense	2.3(c)	(22,785)	173	–	(22,612)
Profit for the year		63,148	–	825	63,973
Earnings per share:					
Basic, for profit for the year		74.6	–	1.1	75.7
Company					
Other income	2.3(e)	37,271	–	1,316	38,587
Operating profit		66,069	–	1,316	67,385
Profit before taxation		56,014	–	1,316	57,330
Income tax expense		(11,956)	–	–	(11,956)
Profit for the year		44,058	–	1,316	45,374

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Estimates and Judgments

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Depreciation of Plant and Machinery

The cost of plant and machinery for tin smelting and refining is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 40 years. These are common life expectancies applied in such industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised.

In the tin mining subsidiary, plant and equipment used in mining are depreciated using the units-of-production method based on recoverable ore reserves over the estimated useful lives of the assets. Changes in estimated ore reserves and useful lives of plant and equipment are accounted for on a prospective basis from the beginning of the year in which the changes arise. Earth moving vehicles are depreciated based on hour worked basis over the estimated useful lives of each asset. Changes in the estimated ore reserves and expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised. The carrying amounts of the Group's and Company's property, plant and equipment at 31 December 2006 are RM95,568,000 (2005: RM138,158,000) and RM8,229,000 (2005: RM35,134,000) respectively.

ii. Amortisation and Impairment of Mining Rights, Mine Development Expenditure, Mine Exploration and Evaluation Expenditure

These require estimates and assumptions on the quantity of recoverable ore reserves, expected future costs and expenses to produce the recoverable ore, effective interest rates, expected future prices used in the impairment test for deferred mine development, mine exploration expenditures and mining rights. The estimate on quantity of recoverable ore reserves is also used for the amortisation of deferred development and exploration expenditures and mining rights. Actual outcomes could differ from these estimates and assumptions. The carrying amounts of the Group's mining rights, deferred exploration and evaluation expenditure and deferred mine expenditure at 31 December 2006 are RM6,944,000, RM7,259,000 and RM9,250,000 (2005: RM8,518,000, RM7,946,000 and RM14,520,000) respectively.

3. PROFIT FROM OPERATIONS

i. Profit from operations is calculated as follows:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000 (restated)	RM'000	RM'000 (restated)
Sale of goods	**1,635,218**	1,690,650	**1,634,836**	1,681,161
Tin warehousing and delivery charges	**2,486**	2,180	**2,486**	2,180
Revenue	**1,637,704**	1,692,830	**1,637,322**	1,683,341
Cost of inventories sold	**(1,498,090)**	(1,565,382)	**(1,591,140)**	(1,640,198)
Gross profit	**139,614**	127,448	**46,182**	43,143
Other operating income	**23,441**	23,618	**46,169**	38,587
Marketing and distribution expenses	**(27,343)**	(31,182)	**(2,614)**	(2,672)
Administrative expenses	**(25,766)**	(13,534)	**(5,276)**	(5,444)
Other operating expenses	**(23,176)**	(6,355)	**(24,047)**	(6,229)
Profit from operations	**86,770**	99,995	**60,414**	67,385

ii. Profit from operations is stated:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
After charging:				
Auditors' remuneration:				
– statutory audits	**362**	287	**70**	70
– (over)/underprovision in prior year	**(23)**	3	**–**	–
Amortisation of prepaid land lease payments (Note 10)	**170**	162	**–**	–
Amortisation of mining rights (Note 12)	**1,574**	1,404	**–**	–
Amortisation and write off of deferred mine exploration and development expenditure (Note 16)	**8,003**	1,003	**–**	–
Depreciation of property, plant and equipment (Note 9)	**15,120**	18,179	**1,534**	1,557
Employee benefits expense (Note 5)	**53,102**	46,235	**15,146**	15,502
Directors' remuneration:				
Present				
– fees	**731**	778	**328**	365
– emoluments	**1,845**	1,097	**1,841**	1,097
– benefits–in–kind	**86**	70	**86**	70
Past				
– fees	**72**	35	**72**	35

3. PROFIT FROM OPERATIONS (CONT'D)

ii. Profit from operations is stated (cont'd):

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
After charging (cont'd):				
Hire of equipment and vehicles	232	10	8	10
Net foreign exchange loss	7,539	600	9,703	721
Specific provision for doubtful debts	407	3,452	–	3,125
Provision for diminution in value of investment in an associate	347	–	1,873	1,190
Provision for diminution in value of other investments	271	588	271	588
Provision for mine rehabilitation (Note 21)	2,201	1,625	–	–
Provision for severance benefits (Note 21)	4,981	3,604	–	–
Provision for write down of inventory value	13,700	18,293	–	–
Rental of land and buildings	193	883	1,956	1,959
Secretarial fees payable to a director of a foreign subsidiary	13	17	–	–
and crediting:				
Gain on disposal of property, plant and equipment	3,003	1,540	3,003	53
Gross dividend received from an associate	–	–	47	140
Interest income	4,259	6,944	27,549	21,544
Specific provision for doubtful debts recovered	1,171	6,202	1,171	6,202
Provision for diminution in value of investment in an associate written back	–	1,500	–	–

4. FINANCE COSTS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Interest expenses on bank borrowings	21,150	12,011	16,130	10,040

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	**42,899**	37,979	**12,627**	13,063
Social security contribution	**161**	198	**107**	153
Contribution to defined contribution plan	**2,907**	2,458	**1,685**	1,593
Severance benefits (Note 21 (a))	**4,981**	3,604	**–**	–
Other benefits	**2,154**	1,996	**727**	693
	53,102	46,235	**15,146**	15,502

The employee benefits expense excludes directors' remuneration as disclosed in Note 3(ii).

6. INCOME TAX EXPENSE

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	**13,223**	12,848	**9,945**	12,697
Foreign tax	**12,511**	23,700	**–**	–
	25,734	36,548	**9,945**	12,697
Underprovision in prior years:				
Malaysian income tax	**983**	175	**946**	175
	26,717	36,723	**10,891**	12,872
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	**(6,434)**	(12,630)	**(647)**	(1,027)
(Over)/Underprovision in prior year	**(71)**	(1,481)	**(74)**	111
	(6,505)	(14,111)	**(721)**	(916)
Total income tax expense	**20,212**	22,612	**10,170**	11,956

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rate applicable to subsidiaries in Indonesia is 30% (2005: 30%).

6. INCOME TAX EXPENSE (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:

	2006 RM'000	2005 RM'000 (restated)
Group		
Profit before tax	**64,680**	86,585
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	**18,110**	24,244
Different tax rates in other countries	**381**	609
Income not subject to tax	**(6,522)**	(5,128)
Expenses not deductible for tax purpose	**7,658**	2,718
Utilisation of previously unrecognised tax losses and unabsorbed capital allowance	**(327)**	–
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	**–**	1,475
Overprovision of deferred tax in prior years	**(71)**	(1,481)
Underprovision of tax expense in prior years	**983**	175
	20,212	22,612
Company		
Profit before taxation	**44,270**	57,330
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	**12,396**	16,052
Income not subject to tax	**(6,521)**	(4,707)
Expenses not deductible for tax purposes	**3,423**	325
(Over)/Underprovision of deferred tax in prior years	**(74)**	111
Underprovision of tax expense in prior years	**946**	175
Income tax expense for the year	**10,170**	11,956

7. BASIC EARNINGS PER SHARE

Basic earnings per share amount is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2006 RM'000	2005 RM'000 (restated)
Profit attributable to ordinary equity holders of the Company	**41,510**	56,741
Weighted average number of ordinary shares in issue	**75,000**	75,000
Basic earnings per share (sen per share)	**55.3**	75.7

8. DIVIDENDS

	Amount		Net dividend paid per share	
	2006 RM'000	2005 RM'000	2006 Sen	2005 Sen
Special interim dividend for the previous year - Nil (2005: 10 sen less tax at 28%)	–	5,400	–	7.2
Second interim dividend for the previous year - 10 sen tax exempt and 5 sen less tax at 28% (2005: 15 sen less tax 28%)	**10,200**	8,100	**13.6**	10.8
Interim dividend for the year - 8 sen tax exempt (2005: 15 sen less tax at 28%)	**6,000**	8,100	**8.0**	10.8
	16,200	21,600	**21.6**	28.8

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company to be held on 23 April 2007, the directors recommend the payment of a final dividend of 12 sen per RM1.00 ordinary shares less 27% tax, totalling RM6.57 million net for the financial year ended 31 December 2006. This dividend will be paid on 28 May 2007 to members registered on the Company's register at the close of business at 5.00 pm on 11 May 2007.

The financial statements for the current financial year do not reflect this proposed dividend. This will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work–in–progress RM'000	Total RM'000
2006						
Cost or Valuation						
At 1 January 2006						
– At cost	105	66	656	313,667	5,316	319,810
– At valuation 2003	39,246	15,098	179	–	–	54,523
– At valuation 2005	–	–	4,112	–	–	4,112
	39,351	15,164	4,947	313,667	5,316	378,445
Additions	–	–	4	2,046	417	2,467
Disposals/Written Off	(20,891)	–	–	(276)	–	(21,167)
Transfer in/(out)	–	–	261	261	(522)	–
Reclassified as held for sale (Note 20)	(4,660)	–	–	–	–	(4,660)
Exchange translation differences	–	–	(183)	(17,722)	(350)	(18,255)
At 31 December 2006	13,800	15,164	5,029	297,976	4,861	336,830
Representing:						
– At cost	105	66	993	297,976	4,861	304,001
– At valuation 2003	13,695	15,098	179	–	–	28,972
– At valuation 2005	–	–	3,857	–	–	3,857
At 31 December 2006	13,800	15,164	5,029	297,976	4,861	336,830
Accumulated depreciation and impairment losses						
At 1 January 2006	–	1,000	8	239,279	–	240,287
Depreciation charge for the year, recognised in income statement (Note 3ii)	–	502	745	13,873	–	15,120
Disposals / Written Off	–	–	–	(275)	–	(275)
Exchange translation differences	–	–	91	(13,961)	–	(13,870)
At 31 December 2006	–	1,502	844	238,916	–	241,262
Net carrying amount						
- At cost	105	66	486	59,060	4,861	64,578
- At valuation 2003	13,695	13,596	153	–	–	27,444
- At valuation 2005	–	–	3,546	–	–	3,546
At 31 December 2006	13,800	13,662	4,185	59,060	4,861	95,568

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

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work–in–progress RM'000	Total RM'000
2005						
Cost or Valuation						
At 1 January 2005						
- At cost	105	45	22,850	286,944	1,159	311,103
- At valuation 2003	39,246	15,098	179	–	–	54,523
- At valuation 2005	–	–	–	–	–	–
	39,351	15,143	23,029	286,944	1,159	365,626
Additions	–	21	46	28,971	5,622	34,660
Disposals	–	–	–	(2,413)	–	(2,413)
Revaluation adjustment	–	–	(18,009)	–	–	(18,009)
Transfer in/(out)	–	–	–	1,461	(1,461)	–
Exchange translation differences	–	–	(119)	(1,296)	(4)	(1,419)
At 31 December 2005	39,351	15,164	4,947	313,667	5,316	378,445
Representing:						
- At cost	105	66	656	313,667	5,316	319,810
- At valuation 2003	39,246	15,098	179	–	–	54,523
- At valuation 2005	–	–	4,112	–	–	4,112
At 31 December 2005	39,351	15,164	4,947	313,667	5,316	378,445
Accumulated depreciation and impairment losses						
At 1 January 2005	–	497	22,130	225,134	–	247,761
Depreciation charge for the year, recognised in income statement (Note 3ii)	–	503	115	17,561	–	18,179
Disposals	–	–	–	(2,390)	–	(2,390)
Revaluation adjustment	–	–	(22,121)	–	–	(22,121)
Exchange translation differences	–	–	(116)	(1,026)	–	(1,142)
At 31 December 2005	–	1,000	8	239,279	–	240,287
Net carrying amount						
– At cost	105	66	661	74,388	5,316	80,536
– At valuation 2003	39,246	14,098	166	–	–	53,510
– At valuation 2005	–	–	4,112	–	–	4,112
At 31 December 2005	39,351	14,164	4,939	74,388	5,316	138,158
Net carrying value (had the revalued property, plant and equipment been carried at cost less depreciation)						
At 31 December 2006	**10,290**	**7,297**	**720**	**59,060**	**4,861**	**82,228**
At 31 December 2005	31,626	7,510	661	74,388	5,316	119,501

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

Company	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work–in–progress RM'000	Total RM'000
2006						
Cost or Valuation						
At 1 January 2006						
– At cost	–	–	–	36,104	–	36,104
– At valuation 2003	25,660	5,500	–	–	–	31,160
	25,660	5,500	–	36,104	–	67,264
Additions	–	–	–	–	180	180
Disposals	(20,891)	–	–	(113)	–	(21,004)
Transfer in/(out)	–	–	–	180	(180)	–
Reclassified as held for sale (Note 20)	(4,660)	–	–	–	–	(4,660)
At 31 December 2006	109	5,500	–	36,171	–	41,780
Representing:						
– At cost	–	–	–	36,171	–	36,171
– At valuation 2003	109	5,500	–	–	–	5,609
At 31 December 2006	109	5,500	–	36,171	–	41,780
Accumulated depreciation and impairment losses						
At 1 January 2006	–	275	–	31,855	–	32,130
Depreciation charge for the year, recognised in income statement (Note 3ii)	–	138	–	1,396	–	1,534
Disposals	–	–	–	(113)	–	(113)
At 31 December 2006	–	413	–	33,138	–	33,551
Net carrying amount						
- At cost	–	–	–	3,033	–	3,033
- At valuation 2003	109	5,087	–	–	–	5,196
At 31 December 2006	109	5,087	–	3,033	–	8,229

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

Company	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work–in–progress RM'000	Total RM'000
2005						
Cost or Valuation						
At 1 January 2005						
– At cost	–	–	–	34,959	186	35,145
– At valuation 2003	25,660	5,500	–	–	–	31,160
	25,660	5,500	–	34,959	186	66,305
Additions	–	–	–	3	1,275	1,278
Disposals	–	–	–	(319)	–	(319)
Transfer in/(out)	–	–	–	1,461	(1,461)	–
At 31 December 2005	25,660	5,500	–	36,104	–	67,264
Representing:						
– At cost	–	–	–	36,104	–	36,104
– At valuation 2003	25,660	5,500	–	–	–	31,160
At 31 December 2005	25,660	5,500	–	36,104	–	67,264
Accumulated depreciation and impairment losses						
At 1 January 2005	–	137	–	30,747	–	30,884
Depreciation charge for the year, recognised in income statement (Note 3ii)	–	138	–	1,419	–	1,557
Disposals	–	–	–	(311)	–	(311)
At 31 December 2005	–	275	–	31,855	–	32,130
Net carrying amount						
– At cost	–	–	–	4,249	–	4,249
– At valuation 2003	25,660	5,225	–	–	–	30,885
At 31 December 2005	25,660	5,225	–	4,249	–	35,134
Net carrying value (had the revalued property, plant and equipment been carried at cost less depreciation)						
At 31 December 2006	**109**	**3,032**	**–**	**5,088**	**–**	**8,229**
At 31 December 2005	26,587	4,981	–	4,249	–	35,817

Group/Company

Freehold land and freehold buildings owned by the Group and the Company in Malaysia 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.

Leasehold buildings of PT Koba Tin, a subsidiary in Indonesia was revalued in 2005. The revaluation was carried out by a firm of independent professional valuers using the depreciated replacement basis.

10. PREPAID LAND LEASE PAYMENTS

	Group 2006 RM'000	Group 2005 RM'000 (restated)
Short term leasehold land		
At 1 January	**1,693**	1,860
Exchange translation differences	**(51)**	(5)
Amortisation for the year (Note 3ii)	**(170)**	(162)
At 31 December	**1,472**	1,693

The short term leasehold land have unexpired lease periods of between 1 to 28 years (2005: 1 to 29 years).

11. BASE INVENTORY

As stated in Note 2.2(g), 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 RM42.326 per kg as at 31 December 2006.

12. INTANGIBLE ASSETS

	Goodwill RM'000	Mining Rights RM'000	Total RM'000
Cost			
At 1 January 2005	9,922	–	9,922
Transfer	(9,922)	9,922	–
At 31 December 2005/2006	–	9,922	9,922
Accumulated amortisation			
At 1 January 2005	–	–	–
Amortisation for the year	–	1,404	1,404
At 31 December 2005 and 1 January 2006	–	1,404	1,404
Amortisation for the year	–	1,574	1,574
At 31 December 2006	**–**	**2,978**	**2,978**
Net carrying amount			
At 31 December 2006	**–**	**6,944**	**6,944**
At 31 December 2005	–	8,518	8,518

Mining rights is in respect of the acquisition of Rahman Hydraulic Tin Sdn. Bhd. and has been reclassified from Goodwill on consolidation in year 2005. The reclassification has been made as the acquisition price was based on the projected value of the estimated quantity of recoverable ore reserves of the mining rights.

The application for the extension for the mining rights which expired on 31 December 2003 for a further period of 15 years has yet to be approved by the relevant authorities.

Based on the assessment and review made by the management, there is no indication of impairment in mining rights of Rahman Hydraulic Tin Sdn. Bhd..

13. INVESTMENT IN SUBSIDIARIES

	Company 2006 RM'000	Company 2005 RM'000
Unquoted shares, at cost	**18,366**	18,366

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of Ownership Interest 2006 %	Proportion of Ownership Interest 2005 %
Held by the Company:				
Malaysia Smelting Corporation (Warehousing) Sdn. Bhd.*	Malaysia	Tin warehousing	**100**	100
MSC Properties Sdn. Bhd.*	Malaysia	Property holding and rental	**100**	100
Rahman Hydraulic Tin Sdn. Bhd. ***	Malaysia	Tin mining	**100**	100
Bemban Corporation Ltd.*	British Virgin Islands	Investment holding	**100**	100
PT MSC Indonesia **	Indonesia	Tin exploration and mining	**100**	100
Held through subsidiaries:				
Kajuara Mining Corporation Pty. Ltd. **	Australia	Investment holding	**100#**	100#
PT Koba Tin **	Indonesia	Tin mining and smelting	**75#**	75#
PT Bangka Resources ***	Indonesia	Dormant	**100#**	100#

* Audited by Ernst & Young, Malaysia
** Audited by member firm of Ernst & Young Global in the respective countries
*** Audited by firms of auditors other than Ernst & Young
# Indirect interest

In January 2005, a wholly-owned subsidiary PT MSC Indonesia, incorporated a wholly-owned subsidiary PT Bangka Resources with an issued and paid-up share capital of RM1,152,000 (USD400,000). It intends to carry on tin exploration and mining operations in Indonesia, and has remained dormant since its incorporation.

Analysis of the Acquisition of a Subsidiary

The acquisition of PT Bangka Resources in 2005 had the following effects on the Group's results for the year:

	2005 Total RM'000
Revenue	–
Loss from operations	(7)
Finance cost	–
Loss before taxation	(7)
Taxation	–
Loss after taxation	(7)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Analysis of the Acquisition of a Subsidiary (cont'd)

The acquisition of PT Bangka Resources in 2005 had the following effects on the financial position of the Group at the end of the year:

	2005 Total RM'000
Cash, bank balances and deposits	1,512
Payables	(3)
Amount owing to holding company	(4)
Group's share of net assets	1,505

The fair values of the assets acquired and liabilities assumed from the acquisition of PT Bangka Resources, were as follows:

	2005 Total RM'000
Net assets acquired:	
Cash and bank balances	1,512
Fair value of total net assets	1,512
Total consideration	1,512
Satisfied by cash	1,512
Net cash outflows arising on acquisition:	
Cash consideration	1,512
Cash and cash equivalents of the subsidiary acquired	(1,512)
	–
Cash and cash equivalents of the subsidiary acquired:	
Cash and bank balances	1,512

14. INVESTMENT IN ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	**10,473**	10,473	**10,473**	10,473
Share of post–acquisition reserves	**5,166**	4,501	**–**	–
	15,639	14,974	**10,473**	10,473
Outside Malaysia				
Quoted shares, at cost	**26,173**	26,173	**26,173**	26,173
Exchange translation differences	**2,830**	2,670	**–**	–
	29,003	28,843	**26,173**	26,173
Share of post–acquisition reserves	**(25,818)**	(24,193)	**–**	–
	3,185	4,650	**26,173**	26,173
Provision for diminution in value of investment	**(405)**	(58)	**(23,393)**	(21,520)
	2,780	4,592	**2,780**	4,653
	18,419	19,566	**13,253**	15,126
Market value of quoted shares	**2,780**	4,653	**2,780**	4,653

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2006 %	2005 %
Held by the Company:				
Redring Solder (M) Sdn. Bhd.	Malaysia	Manufacture and sale of solder products	**40**	40
Australia Oriental Minerals NL	Australia	Tin exploration	**40**	40

The financial statements of the above associates are coterminous with those of the Group.

The summarised financial information of the associates are as follows:

	Group	
	2006	2005
	RM'000	RM'000
Assets and liabilities		
Current assets	**27,910**	24,675
Non-current assets	**15,938**	18,242
Total assets	**43,848**	42,917
Current liabilities	**6,996**	3,655
Non-current liabilities	**876**	1,198
Total liabilities	**7,872**	4,853
Results		
Revenue	**44,237**	33,030
Loss for the year	**(2,296)**	(3,748)

The goodwill included within the Group's carrying amount of investment in associates is RM2,805,000 (2005: RM2,805,000).

15. OTHER INVESTMENTS

	Group/Company	
	2006	2005
	RM'000	RM'000
Outside Malaysia:		
Quoted share, at cost	**1,108**	1,108
Provision for diminution in value of investment	**(859)**	(588)
	249	520
Market value	**249**	520

16. OTHER ASSETS

	Deferred Exploration and Evaluation Expenditure RM'000	Deferred Mine Development Expenditure RM'000	Total RM'000
Group			
At 1 January 2006	**7,946**	**14,520**	**22,466**
Additions	**537**	**2,558**	**3,095**
Amortisation to income statement	**(46)**	**(7,253)**	**(7,299)**
Write off to income statement	**(704)**	**–**	**(704)**
Exchange translation differences	**(474)**	**(575)**	**(1,049)**
At 31 December 2006	**7,259**	**9,250**	**16,509**
At 1 January 2005	5,633	–	5,633
Additions	3,623	14,559	18,182
Amortisation to income statement	–	(108)	(108)
Write off to income statement	(895)	–	(895)
Transfer	(386)	–	(386)
Exchange translation differences	(29)	69	40
At 31 December 2005	7,946	14,520	22,466

The above represents mine development and exploration and evaluation expenditure for several areas of interest. 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 ore reserves.

17. INVENTORIES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**255,420**	335,888	**64,979**	124,920
Goods in transit	**23,143**	12,478	**25,737**	12,478
Other inventories (stores, spares, fuels and by-products)	**22,414**	32,177	**6,231**	6,953
	300,977	380,543	**96,947**	144,351

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables				
Third parties	**73,427**	47,241	**73,427**	47,241
Subsidiaries	**–**	–	**142,071**	210,204
An associate	**115**	1,511	**115**	1,511
	73,542	48,752	**215,613**	258,956
Provision for doubtful debts – Third parties	**(3,100)**	(4,271)	**(3,100)**	(4,271)
Trade receivables, net	**70,442**	44,481	**212,513**	254,685
Other receivables				
Third parties	**79,898**	35,164	**40,590**	3,086
Subsidiaries	**–**	–	**76,022**	74,477
A related company	**517**	–	**517**	–
An associate	**556**	283	**556**	283
	80,971	35,447	**117,685**	77,846
Deposits	**1,597**	1,087	**769**	723
Prepayments	**527**	16,212	**522**	249
	83,095	52,746	**118,976**	78,818
Provision for doubtful debts – Third parties	**(1,058)**	(689)	**(362)**	(362)
	82,037	52,057	**118,614**	78,456
	152,479	96,538	**331,127**	333,141

(a) Credit Risk

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

Credit risks, or the risk of counterparties defaulting are controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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 does not have any significant exposure to any individual customer or group of customers.

(b) Amount due from Subsidiaries

Amounts due from subsidiaries are unsecured and non-trade in nature and payable on demand. Included in amounts due from subsidiaries are unsecured advances to subsidiaries amounting to RM225.50 million (2005: RM284.7 million). Interest rates of between 3% and 9.75% (2005: 3% and 9%) per annum are charged on these advances.

(c) Amount due from Associates

The amount due from an associate under trade receivables, is unsecured, interest free and subject to the Group's normal credit terms which range from cash to 90 days.

Included in the amount due from an associate under other receivables, is an advance of RM 556,000 (2005:NIL). It is secured and payable on demand. Interest is charged at 8% (2005:NIL) per annum on the advance.

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of receivables are disclosed in Note 31.

19. CASH AND BANK BALANCES AND DEPOSITS

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	**41,647**	32,343	**25,627**	5,744
Cash in transit	**–**	149	**–**	–
Deposits with:				
– licensed banks	**53,244**	30,090	**50,677**	30,090
– licensed finance companies	**5,062**	2,000	**5,062**	2,000
Cash and bank balances	**99,953**	64,582	**81,366**	37,834

20. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group/Company	
	2006	2005
	RM'000	RM'000
Reclassified from property, plant and equipment (Note 9)	**4,660**	–

On 30 October 2006, the Company entered into a Sales and Purchase Agreement (SPA) for the sale of a parcel of freehold land held under Geran No. 38940, Lot No. 1199, Mukim 12, Daerah Seberang Perai Tengah, Pulau Pinang for a consideration of RM7.294 million. The net carrying amount of this parcel of land is RM4.660 million. The completion of the sale is subject to completion of the terms and conditions stated in the SPA.

21. PROVISIONS FOR LIABILITIES

	Severance benefits	Mine rehabilitation	Unutilised annual leave	Total
	RM'000	RM'000	RM'000	RM'000
Group				
At 1 January 2006	**18,838**	**13,242**	**1,206**	**33,286**
Provision during the year	**4,981**	**2,201**	**27**	**7,209**
Paid/utilised during the year	**(3,999)**	**(951)**	**(633)**	**(5,583)**
Exchange translation differences	**231**	**(945)**	**–**	**(714)**
At 31 December 2006	**20,051**	**13,547**	**600**	**34,198**
At 31 December 2006				
Current	**2,487**	**–**	**600**	**3,087**
Non–current:				
Later than 1 year but not later than 2 years	**1,420**	**–**	**–**	**1,420**
Later than 2 years but not later than 5 years	**2,300**	**–**	**–**	**2,300**
Later than 5 years	**13,844**	**13,547**	**–**	**27,391**
	17,564	**13,547**	**–**	**31,111**
	20,051	**13,547**	**600**	**34,198**

21. PROVISIONS FOR LIABILITIES (CONT'D)

	Severance benefits RM'000	Mine rehabilitation RM'000	Unutilised annual leave RM'000	Total RM'000
Group				
At 31 December 2005				
Current	1,508	–	1,206	2,714
Non–current:				
Later than 1 year but not later than 2 years	2,519	1,511	–	4,030
Later than 2 years but not later than 5 years	8,106	4,868	–	12,974
Later than 5 years	6,705	6,863	–	13,568
	17,330	13,242	–	30,572
	18,838	13,242	1,206	33,286
Company				
At 1 January 2006	**–**	**–**	**897**	**897**
Provision during the year	**–**	**–**	**722**	**722**
Paid / utilised during the year	**–**	**–**	**(1,019)**	**(1,019)**
At 31 December 2006	**–**	**–**	**600**	**600**
At 31 December 2006				
Current	**–**	**–**	**600**	**600**
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	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
	–	**–**	**600**	**600**
At 31 December 2005				
Current	–	–	897	897
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	–	–	–	–
	–	–	–	–
	–	–	897	897

21. PROVISIONS FOR LIABILITIES (CONT'D)

(a) Severance benefits

The subsidiaries in Indonesia operate an unfunded, Severance Benefits Scheme (the Scheme) for their 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	
	2006	**2005**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations	**29,482**	18,838
Unrecognised actuarial losses	**(4,952)**	–
Unrecognised past service costs	**(4,479)**	–
Net liability	**20,051**	18,838
Analysed as:		
Current	**2,487**	1,508
Non-current:		
Later than 1 year but not later than 2 years	**1,420**	2,519
Later than 2 years but not later than 5 years	**2,300**	8,106
Later than 5 years	**13,844**	6,705
	17,564	17,330
	20,051	18,838

The amounts recognised in the income statement are as follows:

	Group	
	2006	**2005**
	RM'000	**RM'000**
Current service cost	**1,287**	1,112
Interest cost	**2,923**	2,492
Net actuarial losses	**81**	–
Past services costs	**690**	–
Total, included in employee benefits expense (Note 5)	**4,981**	3,604

The amount charged to income statement for 2006 and 2005 has been included in administrative expenses.

21. PROVISIONS FOR LIABILITIES (CONT'D)

(a) Severance benefits (cont'd)

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

	Group	
	2006	2005
	RM'000	RM'000
At 1 January	**18,838**	18,922
Recognised in income statement	**4,981**	3,604
Contribution paid	**(3,999)**	(2,118)
Exchange translation differences	**231**	(1,570)
At 31 December	**20,051**	18,838

Principal actuarial assumptions used:

	2006	2005
	% per annum	% per annum
Discount rate	**10.50 - 11.00**	12.00
Expected rate of salary increases	**10.00**	10.00

(b) Mine rehabilitation

The provision for mine rehabilitation is in respect of mine rehabilitation expenditure to be incurred subsequent to the cessation of production of each mine property. It is provided based on the present value of the estimated expenditure to be incurred.

22. BORROWINGS

	Group/Company	
	2006	2005
	RM'000	RM'000
Short Term Borrowings		
Unsecured:		
Short–term trade financing	**224,162**	83,340
Bankers' acceptances	**10,264**	195,075
Revolving credit	**45,923**	49,109
Term loan 1	**–**	9,444
Term loan 2	**2,932**	3,562
	283,281	340,530
Long Term Borrowings		
Unsecured:		
Term loan 2	**–**	2,328
Total Borrowings		
Short–term trade financing	**224,162**	83,340
Bankers' acceptances	**10,264**	195,075
Revolving credit	**45,923**	49,109
Term loan 1	**–**	9,444
Term loan 2	**2,932**	5,890
	283,281	342,858

22. BORROWINGS (CONT'D)

The unsecured term loan 1 is denominated in US Dollar and is repayable by 8 semi-annual principal repayments of RM4.41million (USD1.25 million) each commencing on 5 April 2003. The loan has been fully repaid in 2006.

The unsecured term loan 2 is denominated in Australian Dollar and is repayable by 8 semi-annual principal repayments of RM1.466 million (AUD525,000) each commencing on 17 April 2004.

Other information on financial risk on borrowings are disclosed in Note 31(b) to the financial statements.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current				
Trade payables				
Third parties	**30,363**	15,522	**24,545**	9,174
Other payables				
Third parties	**29,079**	15,944	**5,968**	5,651
Subsidiaries	**–**	–	**78**	82
An associate	**500**	1,000	**500**	1,000
	29,579	16,944	**6,546**	6,733
Accruals	**9,460**	19,121	**7,402**	5,384
	39,039	36,065	**13,948**	12,117
	69,402	51,587	**38,493**	21,291

(a) Trade Payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from cash to 90 days.

(b) Amount due to Subsidiaries

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of payables are disclosed in Note 31.

(c) Amount due to an Associate

The amount due to an associate represents security deposit amounting to RM0.5 million (2005:RM1.0 million) received for its purchase of refined tin metal. The amount is placed in fixed deposit with a licensed bank and earns interest at an average rate of 4.00% (2005:3.70%) per annum. The fixed deposit interest earned on the security deposit is payable to the associate.

24. SHARE CAPITAL

	Company: Number of ordinary shares of RM1 each 2006 '000	2005 '000	Amount 2006 RM'000	2005 RM'000
Authorised:				
At 31 December	**100,000**	100,000	**100,000**	100,000
Issued and fully paid:				
At 31 December	**75,000**	75,000	**75,000**	75,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25. OTHER RESERVES (NON-DISTRIBUTABLE)

	Note	Revaluation Reserve –Land and Building RM'000	Foreign Currency Translation Reserve RM'000	Capital Reserve RM'000	Reserve on Consolidation RM'000	Total RM'000
Group						
At 1 January 2005						
As previously stated		9,194	1,298	1,706	13,880	26,078
Effects of adopting:						
FRS 121	2.3(e)	–	2,320	–	–	2,320
At 1 January 2005 (restated)		9,194	3,618	1,706	13,880	28,398
Foreign currency translation:						
Group		–	(755)	–	–	(755)
Associates		–	(948)	–	–	(948)
		–	(1,703)	–	–	(1,703)
Revaluation surplus for the year (net of minority interest)		3,084	–	–	–	3,084
Transfer to deferred taxation (net of minority interest)		(863)	–	–	–	(863)
At 31 December 2005 (restated)		11,415	1,915	1,706	13,880	28,916

25. OTHER RESERVES (NON-DISTRIBUTABLE) (CONT'D)

	Note	Revaluation Reserve –Land and Building RM'000	Foreign Currency Translation Reserve RM'000	Capital Reserve RM'000	Reserve on Consolidation RM'000	Total RM'000
Group						
At 1 January 2006						
As previously stated		11,415	420	1,706	13,880	27,421
Effects of adopting:						
FRS 121	2.3(e)	–	1,495	–	–	1,495
At 1 January 2006 (restated)		11,415	1,915	1,706	13,880	28,916
Effects of adopting:						
FRS 3	2.3(a)	–	–	–	(13,880)	(13,880)
		11,415	1,915	1,706	–	15,036
Foreign currency translation:						
Group		–	(7,215)	–	–	(7,215)
Associates		–	160	–	–	160
		–	(7,055)	–	–	(7,055)
At 31 December 2006		11,415	(5,140)	1,706	–	7,981
Company						
At 1 January 2005						
As previously stated		3,443	(2,320)	–	–	1,123
Effects of adopting:						
FRS 121	2.3(e)	–	2,320	–	–	2,320
At 1 January 2005 (restated)/ At 31 December 2005		3,443	–	–	–	3,443
At 1 January 2006						
As previously stated		3,443	(1,004)	–	–	2,439
Effects of adopting:						
FRS 121	2.3(e)	–	1,004	–	–	1,004
At 1 January 2006 (restated)/ At 31 December 2006		3,443	–	–	–	3,443

The nature and purpose of each category of reserve are as follows:

(a) Revaluation Reserve

The revaluation reserve is used to record increases in the fair value of land and building and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

25. OTHER RESERVES (NON-DISTRIBUTABLE) (CONT'D)

(b) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.

(c) Capital Reserve

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

26. RETAINED EARNINGS

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM46 million (2005: RM59.5 million), subject to the agreement of the Inland Revenue Board.

The Company also has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of its entire retained earnings as at 31 December 2006 and 31 December 2005.

27. DEFERRED TAX

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	**(7,346)**	5,646	**663**	1,579
Recognised in the income statement (Note 6)	**(6,505)**	(14,111)	**(721)**	(916)
Arising from revaluation surplus during the year	**–**	1,151	**–**	–
Exchange translation differences	**797**	(32)	**–**	–
At 31 December	**(13,054)**	(7,346)	**(58)**	663
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(14,955)**	(9,887)	**(58)**	–
Deferred tax liabilities	**1,901**	2,541	**–**	663
	(13,054)	(7,346)	**(58)**	663

27. DEFERRED TAX (CONT'D)

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

Deferred tax liabilities of the Group

	Property, Plant and Equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2006	**9,431**	**(864)**	**8,567**
Recognised in income statement	**(124)**	**327**	**203**
At 31 December 2006	**9,307**	**(537)**	**8,770**
At 1 January 2005	9,015	(104)	8,911
Recognised in income statement	(714)	(760)	(1,474)
Recognised in equity	1,151	–	1,151
Exchange translation differences	(21)	–	(21)
At 31 December 2005	9,431	(864)	8,567

Deferred tax assets of the Group

	Other Provisions RM'000
At 1 January 2006	**(15,913)**
Recognised in income statement	**(6,708)**
Exchange translation differences	**797**
At 31 December 2006	**(21,824)**
At 1 January 2005	(3,265)
Recognised in income statement	(12,637)
Exchange translation differences	(11)
At 31 December 2005	(15,913)

Deferred tax liabilities of the Company

	Property, Plant and Equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2006	**1,961**	**(864)**	**1,097**
Recognised in income statement	**(146)**	**327**	**181**
At 31 December 2006	**1,815**	**(537)**	**1,278**
At 1 January 2005	1,975	(104)	1,871
Recognised in income statement	(14)	(760)	(774)
At 31 December 2005	1,961	(864)	1,097

27. DEFERRED TAX (CONT'D)

Deferred tax assets of the Company

	Other Provisions RM'000
At 1 January 2006	**(434)**
Recognised in income statement	**(902)**
At 31 December 2006	**(1,336)**
At 1 January 2005	(292)
Recognised in income statement	(142)
At 31 December 2005	(434)

28. CAPITAL COMMITMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	**133**	1,647	**133**	132
Approved but not contracted for:				
Property, plant and equipment	**6,010**	–	**1,771**	–
Mine development expenditure	**23,477**	–	**–**	–
	29,487	–	**1,771**	–

29. CONTINGENT LIABILITIES (UNSECURED)

Group

At 31 December 2006 the Group has the following contingent liabilities:

(a) A claim from a party against the Company and 3 others, seeking a declaration that the award for the sale of 100% issued shares of Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to an open tender process, be declared null and void. The party also filed an injunction to restrain the Administrator of RHT from proceeding with the sale. Both the claim and the injunction were dismissed by the High Court with costs. The party has filed an appeal and no date has been fixed for hearing .

(b) At the time of takeover of RHT on 22 November 2004, the following legal suits were pending against RHT:

i. A Summon in Chambers (ex-parte) was served on RHT and 3 others by the Plaintiff whose proposal to acquire the mining lease and related assets of RHT was rejected in April 2002. The Plaintiff's application for Judicial Review was dismissed with costs but an appeal has been filed against the decision, however the appeal has yet to be heard.

29. CONTINGENT LIABILITIES (UNSECURED) (CONT'D)

Group (cont'd)

(b) At the time of takeover of RHT on 22 November 2004, the following legal suits were pending against RHT (cont'd):

ii. A claim by 11 ex-workers for notice pay and retrenchment benefits totalling RM125,723 against RHT has been dismissed by the Industrial Court on 26 September 2005. The claimants have filed an appeal at the High Court. The appeal has been allowed with costs and the High Court has further fixed on 27 March 2007 as the mention date for further directions.

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 of RHT, seeking reinstatement. The claim has been dismissed by the Industrial Court. The said director has appealed against the decision and no date has been fixed for hearing of the appeal.

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. Accordingly, the vendor has made an application to substitute itself with RHT. It is the said vendor's intention to dispute the claims of these former directors based on its solicitors' advice that the Service Agreements are void and therefore are of no effect.

(c) 43 employees retrenched by the Company under its manpower rationalisation scheme have filed a claim to the Industrial Court for a decision. The claimants are seeking reinstatement to their former positions, back wages, bonus, etc or compensation for loss of wages amounting to approximately RM1,073,000 if reinstatement is not in order. The Company maintains that it had acted fairly and had not breached any rules or regulations in the implementation of the retrenchment exercise. The case has been fixed for hearing on 1st and 2nd March 2007 and 2nd and 3rd April 2007.

(d) A statement of claim by a third party (Plaintiff) for RM45 million or such amount as the Court deemed fit, plus interest of 8% on judgement sum that remains unpaid, cost of litigation and any other relief that the Court deems appropriate for an alleged breach of the Subscription Agreement entered into by the Company. The Plaintiff alleged that it has suffered a loss as the Company wilfully interfere and prevent the issuance of the renewal of mining lease by the relevant authorities to the Plaintiff. The Company maintains that the breach was committed by the Plaintiff, entitling it to terminate the agreement. The Company had filed its statement of defence. To date, the Plaintiff has not proceeded further on the case.

(e) On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company maintains that the allegation is baseless and has accordingly filed its statement of defence.

Company

At 31 December 2006 the Company has the following contingent liabilities:

(a) A bank guarantee of RM 1.6 million given by the Company to the Perak State Authorities on behalf of a subsidiary.

(b) A claim from a third party against the Company and 3 others, seeking a declaration that the award for the sale of 100% issued shares of Rahman Hydraulic Tin Sdn. Bhd. (RHT) to the Company pursuant to an open tender process be declared null and void. The party also filed an injunction to restrain the Administrator of RHT from proceeding with the sale. Both the claim and the injunction were dismissed by the High Court with costs. The party has filed an appeal and no date has been fixed for hearing .

29. CONTINGENT LIABILITIES (UNSECURED) (CONT'D)

Company (con't)

At 31 December 2006 the Company has the following contingent liabilities (cont'd):

(c) 43 employees retrenched by the Company under its manpower rationalisation scheme have filed a claim to the Industrial Court for a decision. The claimants are seeking reinstatement to their former positions, back wages, bonus, etc or compensation for loss of wages of approximately RM1,073,000 if reinstatement is not in order. The Company maintains that it had acted fairly and had not breached any rules or regulations in the implementation of the retrenchment exercise. The case has been fixed for hearing on 1st and 2nd March 2007 and 2nd and 3rd April 2007.

(d) A statement of claim by a third party (Plaintiff) for RM45 million or such amount as the Court deemed fit, plus interest of 8% on judgement sum that remains unpaid, cost of litigation and any other relief that the Court deems appropriate for an alleged breach of the Subscription Agreement entered into by the Company. The Plaintiff alleged that it has suffered a loss as the Company wilfully interfere and prevent the issuance of the renewal of mining lease by the relevant authorities to the Plaintiff. The Company maintains that the breach was committed by the Plaintiff, entitling it to terminate the agreement. The Company had filed its statement of defence. To date, the Plaintiff has not proceeded further on the case.

(e) On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company maintains that the allegation is baseless and has accordingly filed its statement of defence.

30. RELATED PARTY DISCLOSURES

(a) Related Party Transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

	2006 RM'000	2005 RM'000
Group		
Related company *:		
- Management fee paid	**2,528**	–
Associate:		
- Sales of products	**30,473**	22,239
Company		
Subsidiaries:		
- Purchase of products	**669,081**	652,869
- Interest income	**24,296**	14,674
- Management fee received	**1,309**	1,361
- Advances	**4,464**	7,737
Associate:		
- Sales of products	**30,473**	22,239
Related company*		
- Management fee paid	**2,456**	–

* The related company is a company within the The Straits Trading Company Limited group.

Information regarding outstanding balances arising from related party transactions as at 31 December 2006 are disclosed in Note 18 and Note 23.

30. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits	**6,603**	5,673	**3,419**	2,873
Post-employment benefits:				
- Defined contribution plan	**852**	732	**350**	368
	7,455	6,405	**3,769**	3,241

Included in the total compensation of key management personnel are:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 3ii)	**2,734**	1,980	**2,327**	1,567

31. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interests rate risks, foreign currency risk, liquidity risk, credit risk and commodity price risk. The policies for managing each of these risks are summarised below. It is the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash deposits and debt obligations.

The Group's policy is to manage its exposure to interest rate risk using floating rate for bank borrowings which can be swapped to fixed interest rate to mitigate its exposure where appropriate. The Group seeks to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group also enters into cross currency swap contract to mitigate its exposure to interest rate risk for foreign currency long-term debts where appropriate.

The Group places its cash deposits with reputable 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.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

The following tables set out the carrying amounts, the range of interest rates as at the balance sheet date and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

At 31 December 2006	Note	Range of Interest Rates % per annum	Within 1 Year RM'000	1 – 2 Years RM'000	Total RM'000
Group					
Fixed rate					
Amount due from an associate		**8.00%**	**556**	**–**	**556**
Floating rate					
Cash and bank balances		**2.40%–4.46%**	**99,660**	**–**	**99,660**
Short–term trade financing	**22**	**5.49%–5.58%**	**224,162**	**–**	**224,162**
Bankers' acceptances	**22**	**3.95%–4.06%**	**10,264**	**–**	**10,264**
Revolving credits	**22**	**5.93%–6.20%**	**45,923**	**–**	**45,923**
Term loan	**22**	**7.45%**	**2,932**	**–**	**2,932**
Company					
Fixed rate					
Amount due from subsidiaries		**3.00%**	**53,845**	**–**	**53,845**
Amount due from an associate		**8.00%**	**556**	**–**	**556**
Floating rate					
Amount due from subsidiaries		**9.75%**	**163,374**	**–**	**163,374**
Cash and bank balances		**2.40%–4.46%**	**81,353**	**–**	**81,353**
Short–term trade financing	**22**	**5.49%–5.58%**	**224,162**	**–**	**224,162**
Bankers' acceptances	**22**	**3.95%–4.06%**	**10,264**	**–**	**10,264**
Revolving credits	**22**	**5.93%–6.20%**	**45,923**	**–**	**45,923**
Term loan	**22**	**7.45%**	**2,932**	**–**	**2,932**
At 31 December 2005					
Group					
Floating rate					
Cash and bank balances		2.20%–4.00%	64,049	–	64,049
Short–term trade financing	22	4.05%–4.70%	83,340	–	83,340
Bankers' acceptances	22	3.02%–3.35%	195,075	–	195,075
Revolving credits	22	4.47%–5.00%	49,109	–	49,109
Term loans	22	5.11%–6.95%	13,006	2,328	15,334
Company					
Fixed rate					
Amount due from subsidiaries		3.00%	55,787	–	55,787
Floating rate					
Amount due from subsidiaries		9.40%	226,242	–	226,242
Cash and bank balances		2.20%–4.00%	37,821	–	37,821
Short–term trade financing	22	4.05%–4.70%	83,340	–	83,340
Bankers' acceptances	22	3.02%–3.35%	195,075	–	195,075
Revolving credits	22	4.47%–5.00%	49,109	–	49,109
Term loans	22	5.11%–6.95%	13,006	2,328	15,334

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk

The Group and the Company have exposure to fluctuations in foreign exchange rates in both the investment in foreign entities and business transactions. The Group has foreign exchange risk exposure mainly in United States Dollar, Australian Dollar and Indonesian Rupiah. The Group's policy is to manage its exposure to foreign exchange risk on investment in foreign entities by using term loan with the same foreign currency to hedge such investments.

Due to concentration of its purchases and sales in United States Dollar, there is a natural hedge and the exposure to United States Dollar foreign exchange risk is minimised. The Company also uses forward foreign exchange contracts to hedge its exposure to foreign exchange risk.

The net unhedged financial assets and liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Group

At 31 December 2006	**Net Financial Assets/ (Liabilities) Held in Non–Functional Currencies**		
Functional currencies of Group Companies	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Total RM'000**
United States Dollar	**(140,253)**	**–**	**(140,253)**
Indonesian Rupiah	**–**	**8,058**	**8,058**
Singapore Dollar	**19**	**(138)**	**(119)**
Australian Dollar	**(2,676)**	**(456)**	**(3,132)**
Euro	**5,574**	**(18)**	**5,556**
Danish Krone	**–**	**(74)**	**(74)**
	(137,336)	**7,372**	**(129,964)**

At 31 December 2005	**Net Financial Assets/ (Liabilities) Held in Non–Functional Currencies**		
Functional currencies of Group Companies	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Total RM'000**
United States Dollar	(113,210)	–	(113,210)
Indonesian Rupiah	–	14,405	14,405
Singapore Dollar	–	(786)	(786)
Australian Dollar	(5,977)	(185)	(6,162)
Euro	–	(703)	(703)
Great Britain Pound	–	(163)	(163)
	(119,187)	12,568	(106,619)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk (cont'd)

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

	Currency	Maturities: Within 1 Year RM'000	Maturities: 1 Year up to 5 Years RM'000	Total Notional Amount RM'000
At 31 December 2006				
Forwards used to hedge anticipated purchases	Indonesian Rupiah	**13,070**	–	**13,070**
Forwards used to hedge anticipated purchases	United States Dollar	**5,384**	–	**5,384**
Forwards used to hedge anticipated sales	United States Dollar	**42,812**	–	**42,812**
		61,266	–	**61,266**
At 31 December 2005				
Forwards used to hedge anticipated purchases	Indonesian Rupiah	121,716	13,986	135,702

At 31 December 2006, there was unrecognised gains of RM0.8 million (2005: Nil) on forward contracts used to hedge anticipated sales and unrecognised gains of RM0.8 million (2005: Unrecognised loss of RM0.4 million) on forward contracts used to hedge anticipated purchases of the Group and of the Company using the exchange rate at balance sheet date.

(d) Liquidity Risk

The Group 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 risk management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

The carrying amount of trade and other receivables, amount due from associates, 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.

Credit risks, or the risk of counterparties defaulting are controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures. The Group places its cash deposits with reputable banks and financial institutions.

The Group does not have any significant exposure to any individual customer or group of customers.

(f) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs. The Group is exposed to commodity price risk arising from revenue derived from sales of tin as well as to the impact of crude oil prices on the cost of fuel consumed in the mining and processing of tin.

The tin price risk is managed through contractual arrangements with customers and derivative instruments such as forward sales contracts.

31. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values.

The methods and assumptions used by the management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair value are as follows:

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 approximate the fair value as these bank borrowings bear interest at rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

iii. Amounts due from/to Subsidiaries and Associates
The amounts due from/to subsidiaries and associates approximate fair value because they are payable on demand or on normal credit terms.

iv. Forward foreign exchange contracts
The fair value of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

v. Quoted investments
The fair value of quoted investments are determined by reference to stock exchange quoted market prices at the closing of the business on the balance sheet date.

32. SEGMENTAL INFORMATION

(a) Reporting Format

The Company and its principal subsidiaries operate principally within one industry which is tin mining and tin smelting. The Group operates mainly 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.

32. SEGMENTAL INFORMATION (CONT'D)

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment. There is no unallocated items.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include inter company transactions. These inter company transactions are eliminated on consolidation.

Geographical Segments

The following tables provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segment:

	Malaysia RM'000	Indonesia RM'000	Others RM'000	(Eliminations)/ Adjustment RM'000	Total RM'000
31 December 2006					
Revenue					
Sales to external customers	1,637,322	382	–	–	1,637,704
Inter–segment sales	29,720	642,595	–	(672,315)	–
Total revenue	1,667,042	642,977	–	(672,315)	1,637,704
Results					
Segment results	67,353	44,117	(48)	(24,652)	86,770
Finance costs	(16,828)	(27,656)	(975)	24,296	(21,163)
Share of loss of associates	–	–	–	(927)	(927)
Profit/(Loss) before tax	50,525	16,461	(1,023)	(1,283)	64,680
Income tax expense	(11,885)	(8,955)	–	628	(20,212)
Net profit/(loss) for the year	38,640	7,506	(1,023)	(655)	44,468
Assets					
Segment assets	580,896	362,169	62,317	(293,764)	711,618
Investments in associates	13,253	–	–	5,166	18,419
Total assets	594,149	362,169	62,317	(288,598)	730,037
Liabilities					
Segment liabilities	350,245	230,181	31,910	(221,548)	390,788
Total liabilities	350,245	230,181	31,910	(221,548)	390,788

32. SEGMENTAL INFORMATION (CONT'D)

Geographical Segments (cont'd)

	Malaysia RM'000	Indonesia RM'000	Others RM'000	(Eliminations)/ Adjustment RM'000	Total RM'000
31 December 2006					
Other segment information					
Capital expenditure	311	2,156	–	–	2,467
Depreciation	2,733	12,387	–	–	15,120
Amortisation of prepaid land lease payments	137	33	–	–	170
Amortisation of mining rights	–	–	–	1,574	1,574
Amortisation and write off of deferred mine exploration and development expenditure	333	7,670	–	–	8,003
Other significant non–cash expenses:					
– Provision for diminution in value of investment in an associate	1,873	–	–	(1,526)	347
– Provision for diminution in value of other investments	271	–	–	–	271
– Provision for mine rehabilitation	–	2,201	–	–	2,201
– Provision for severance benefits	–	4,981	–	–	4,981
– Provision for inventory obsolescence	–	13,700	–	–	13,700

32. SEGMENTAL INFORMATION (CONT'D)

Geographical Segments (cont'd)

	Malaysia RM'000	Indonesia RM'000	Others RM'000	(Eliminations)/ Adjustment RM'000	Total RM'000
31 December 2005					
Revenue					
Sales to external customers	1,683,380	9,450	–	–	1,692,830
Inter–segment sales	23,431	631,234	–	(654,665)	–
Total revenue	1,706,811	640,684	–	(654,665)	1,692,830
Results					
Segment results	66,528	46,495	58,799	(71,827)	99,995
Finance costs	(10,796)	(14,356)	(1,618)	14,718	(12,052)
Share of loss of associates	–	–	–	(1,358)	(1,358)
Profit/(Loss) before tax	55,732	32,139	57,181	(58,467)	86,585
Income tax expense	(11,885)	(12,276)	–	1,549	(22,612)
Net profit/(loss) for the year	43,847	19,863	57,181	(56,918)	63,973
Assets					
Segment assets	606,746	427,111	62,328	(358,620)	737,565
Investments in associates	15,126	–	–	4,440	19,566
Total assets	621,872	427,111	62,328	(354,180)	757,131
Liabilities					
Segment liabilities	400,404	287,081	33,076	(284,208)	436,353
Total liabilities	400,404	287,081	33,076	(284,208)	436,353
Other segment information					
Capital expenditure	1,400	33,260	–	–	34,660
Depreciation	2,743	15,436	–	–	18,179
Amortisation of prepaid land lease payments	131	31	–	–	162
Amortisation of mining rights	–	–	–	1,404	1,404
Amortisation and write off of deferred mine exploration and development expenditure	164	839	–	–	1,003
Other significant non–cash expenses:					
– Provision for diminution in value of investment in an associate written back	(1,500)	–	–	–	(1,500)
– Provision for diminution in value of other investments	588	–	–	–	588
– Provision for mine rehabilitation	–	1,625	–	–	1,625
– Provision for severance benefits	–	3,604	–	–	3,604
– Provision for inventory obsolescence	–	18,293	–	–	18,293

33. SIGNIFICANT EVENTS

The following were significant events during the financial year:

(a) On 18 April 2006, the Company entered into an agreement with Straits Resource Management Private Limited, a subsidiary of its holding company, The Straits Trading Company Limited, for the provision of management, technical, marketing, financial and advisory services to the Company and certain of its subsidiaries;

(b) On 20 April 2006, a subsidiary of the Company, Rahman Hydraulic Tin Sdn. Bhd. (RHT), proposed that the issued and paid-up share capital of the Company of RM97,232,142 comprising 97,232,142 ordinary shares of RM1.00 each to be reduced to RM1,088,999 comprising 97,232,142 ordinary shares of RM0.0112 each by cancelling RM0.9888 of the par value of each existing ordinary share. Subsequent to the reduction of the paid-up share capital, the 97,232,142 ordinary shares of RM0.0112 each in the issued and paid-up share capital of RHT were proposed to be consolidated into 1,088,999 shares of RM1.00 each to be credited as fully paid-up by consolidating every 89.286 shares of RM0.0112 each into one (1) ordinary share of RM1.00 each (Proposed Capital Reduction and Consolidation).

The credit of RM96,143,143 arising from the Proposed Capital Reduction and Consolidation is to be set off against accumulated losses of RHT amounting to RM97,398,700 as at 31 December 2005.

The Proposed Capital Reduction and Consolidation has been approved by the shareholders of RHT and is still pending approval from the relevant authorities.

(c) On 20 September 2006, the Company entered into an agreement (the Agreement) with The Straits Trading Company Limited (STC) and 3 wholly-owned subsidiaries of STC to facilitate the rectification of the Company's public share spread shortfall.

On 2 November 2006, the Company announced that its substantial shareholder has placed out sufficient number of ordinary shares of RM1.00 each in the Company's shares for the Company to meet the Public Spread Requirement. The public shareholding spread of the Company as at 1 November 2006 was 25.01%. The Company's shares resumed trading on 8 November 2006.

The Company announced that it has aborted the proposed corporate exercise as contemplated in the Agreement.

34. SUBSEQUENT EVENT

On 23 January 2007, a special Indonesian National Police task force began an investigation on certain activities of PT Koba Tin (PT Koba), a subsidiary of the Company in Indonesia. The investigation is the result of the alleged involvement by PT Koba in the acquisition of tin ore from small-scale miners operating outside PT Koba's Contract of Work area.

In the course of the investigation, the Police have retained a shipment of 500 tonnes of PT Koba's tin ingots at the Pangkal Balam port and certain of its documentation, including accounting records for verification purposes. Three of PT Koba's executive directors have been detained by the Police to assist in the ongoing investigation. PT Koba has continued mining and smelting tin concentrates produced from its own dredging and gravel pump operations. However as at the date of completion of these financial statements, delivery/shipment of tin ingots remains suspended. As a result of these matters, PT Koba has declared force majeure in terms of deliveries to its customers.

PT Koba is cooperating with the authorities in the investigation of these allegations. The investigation of these matters has not yet been finalised.

Management has engaged legal counsels to provide advice and assistance in relation to the alleged issue and issues which are identified in the course of the investigation. Management believes that the finalisation of the investigation and the resolution of resulting legal action, if any, against PT Koba's management, or PT Koba will not have a significant financial impact on PT Koba for the year ended 31 December 2006 nor adversely impact the continuation of PT Koba's operations in its Contract of Work Area.

Accordingly, no provision for losses in relation to this investigation has been recognised in the financial statements of the Group and of the Company for the year ended 31 December 2006.

LIST OF PROPERTIES OF THE GROUP

31 DECEMBER 2006

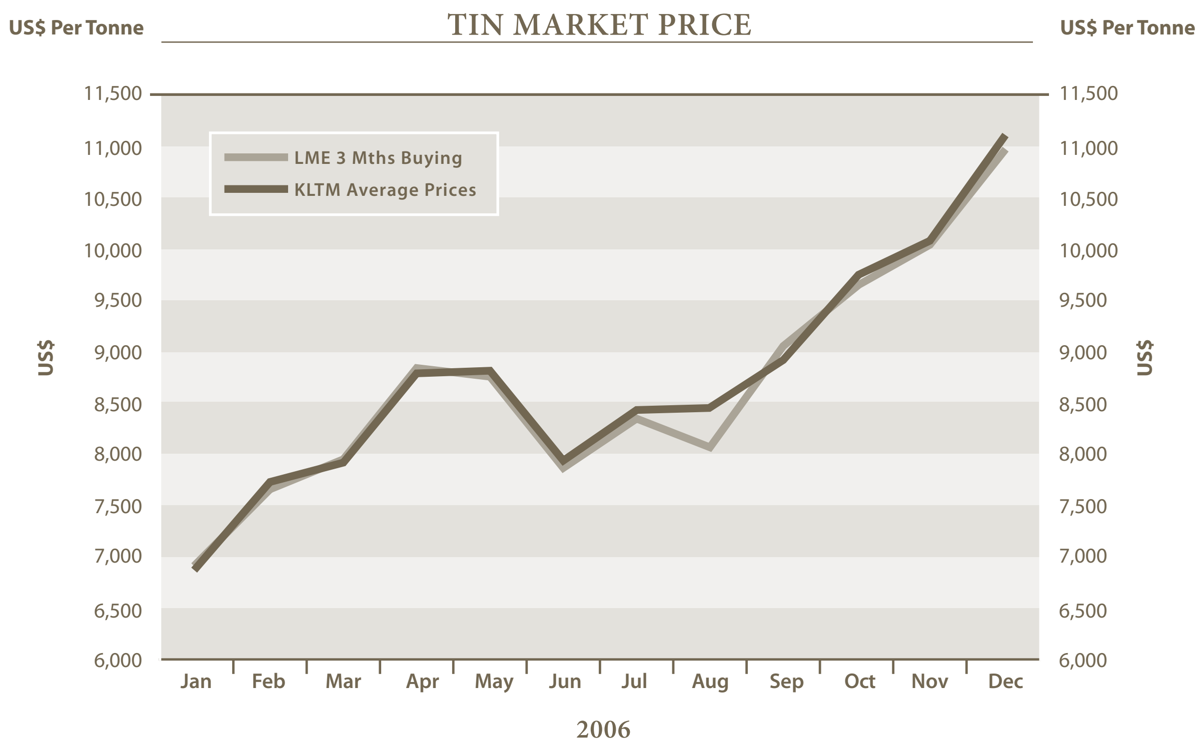
Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31.12.06 RM'000	Date of last revaluation / acquisition
MALAYSIA							
1. 27 Jalan Pantai 12000 Butterworth							
a) Lot 142-187 and 362	Land with offices and factory buildings	12.5 acres	Freehold	–	2 - 53 years	22,095	2003
b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	19 years	647	2003
c) Lot 263	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2006*	NA	25	2003
2. Lot 1199, Mukim 12, Daerah Seberang Perai Tengah	Vacant land	13.40 acres	Freehold	–	NA	4,660	2003
3. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	7 years	1,017	2003
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	6 years	4,070	2003
5. Lot 1203, Mukim 12 Daerah Seberang Perai Tengah	Vacant Land	0.422 acres	Freehold	–	NA	109	2003
6. Mukim Belukar Semang and Mukim Pengkalan Hulu Daerah Hulu Perak							
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	25 - 66 years	363	2004
INDONESIA							
7. PT Koba Tin Bangka Island	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	9 - 34 years	3,545	2005
8. PT MSC Indonesia Bangka Island	Land & Buildings	17,094 sq. ft	Leasehold (Land Rights)	2034	12 - 17 years	1,077	2004

* Application for renewal of lease has been made.

TIN STATISTICS

	KLTM Prices Highest	US$ Per Tonne Lowest	Average	KLTM Turnover Tonnes	LME 3 Mths Buying Average US$ Per Tonne
2002	4,500	3,647	4,064	17,176	4,086
2003	6,610	4,251	4,890	12,426	4,900
2004	9,890	6,420	8,493	19,323	8,347
2005	8,580	6,050	7,355	19,427	7,337
2006	12,000	6,600	8,765	13,857	8,713
2006					
January	7,415	6,600	6,971	1,483	6,974
February	7,940	7,610	7,796	993	7,767
March	8,250	7,775	7,962	1,213	7,965
April	9,400	8,120	8,867	933	8,920
May	9,600	8,160	8,888	1,008	8,842
June	8,400	7,730	7,947	923	7,928
July	8,890	8,020	8,424	1,168	8,434
August	8,750	8,290	8,455	1,273	8,086
September	9,150	8,840	8,989	1,336	9,016
October	10,975	8,925	9,702	1,169	9,645
November	10,500	9,770	10,078	1,349	10,005
December	12,000	10,650	11,105	1,009	10,969

TIN MARKET PRICE

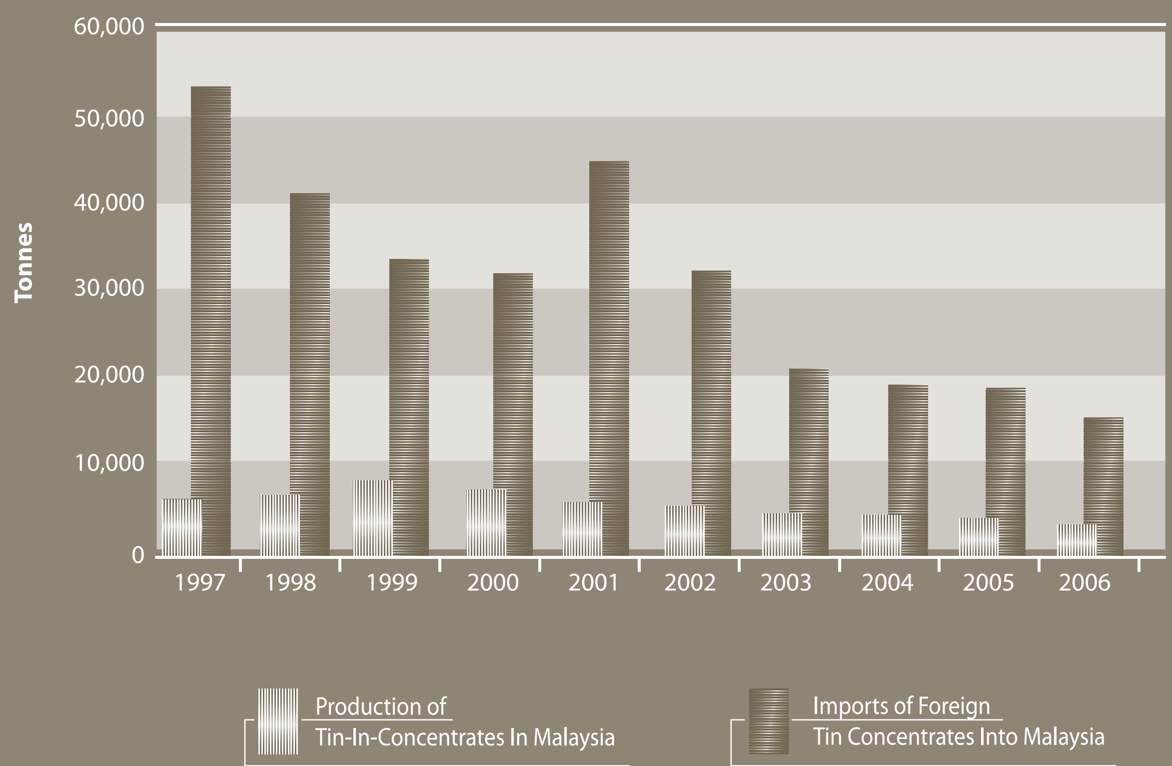


PRODUCTION OF TIN-IN-CONCENTRATES IN MALAYSIA	
Year	**Tonnes**
1997	5,060
1998	5,764
1999	7,340
2000	6,307
2001	4,972
2002	4,215
2003	3,358
2004	2,746
2005	3,013
2006	2,634

IMPORTS OF FOREIGN TIN CONCENTRATES INTO MALAYSIA	
Year	**Tonnes**
1997	52,954
1998	40,547 *
1999	32,955
2000	31,297
2001	44,410
2002	31,788
2003	20,183
2004	18,916
2005	17,708
2006	15,064

* 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	2002	2003	2004	2005	2006
Africa	1,362	1,031	1,313	1,257	1,340
Australia & New Zealand	1,558	1,757	1,223	127	249
China	60	140	40	40	560
EEC (incl. UK)	1,487	1,165	1,431	2,669	1,623
India, Pakistan & Bangladesh	1,073	352	825	794	1,141
Japan	1,735	1,723	3,381	2,063	1,985
Middle East	845	805	705	812	515
Taiwan	709	680	1,690	1,524	1,043
Korea	7,303	4,466	7,560	8,480	5,980
Rest of Asia Pacific	76	11	105	56	–
Singapore	10,749	2,664	9,421	14,645	5,400
South America	8	–	–	–	–
USA	125	263	1,235	480	10
	27,091	**15,057**	**28,929**	**32,947**	**19,846**
Malaysia (for domestic consumption)	3,339	3,444	3,815	3,437	4,806
Total	**30,430**	**18,501**	**32,744**	**36,384**	**24,652**

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

PERIOD END	LME STOCKS *	DLA STOCKS #	
2006			
1st Quarter	14,820	Opening stock at 1.1.06	16,591
2nd Quarter	12,045	Disposals during the year	8,507
3rd Quarter	11,505	Closing stock at 31.12.06	8,084
4th Quarter	12,970		

Sources: * Metal Bulletin
US Geological Survey - uncommitted stock

SHAREHOLDINGS STATISTICS
AS AT 28 FEBRUARY 2007

ANALYSIS BY SIZE OF SHAREHOLDINGS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
less than 100	3	0.20	133	0.00
100 to 1,000	880	57.37	828,767	1.10
1,001 to 10,000	534	34.81	2,036,900	2.71
10,001 to 100,000	85	5.54	3,171,400	4.23
100,001 to less than 5% of issued shares	28	1.82	18,102,000	24.14
5% and above of issued shares	4	0.26	50,860,800	67.82
TOTAL	**1,534**	**100.00**	**75,000,000**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	NAME	HOLDINGS	%
1	MAYBAN NOMINEES (ASING) SDN BHD FOR THE STRAITS TRADING COMPANY LIMITED	28,090,000	37.45
2	STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	10,073,900	13.43
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD FOR STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	7,300,600	9.74
4	MAYBAN NOMINEES (ASING) SDN BHD FOR SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	7.20
5	MAYBAN NOMINEES (ASING) SDN BHD FOR BAXTERLEY HOLDINGS PRIVATE LIMITED	3,700,000	4.93
6	HSBC NOMINEES (TEMPATAN) SDN BHD FOR NOMURA ASSET MGMT SG FOR EMPLOYEES PROVIDENT FUND	2,719,400	3.63
7	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INCORPORATED	2,128,900	2.84
8	MAYBAN SECURITIES NOMINEES (ASING) SDN BHD FOR TECITY MANAGEMENT PTE LTD	1,750,000	2.33
9	APIK AKTIF SDN BHD	1,090,000	1.45
10	KVC INDUSTRIAL SUPPLIES SDN BHD	987,900	1.32
11	CARTABAN NOMINEES (ASING) SDN BHD FOR LEHMAN BROTHERS COMMERCIAL CORPORATION ASIA LIMITED	738,000	0.98
12	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD. AJIB BIN HJ. ANUAR	650,000	0.87

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

	NAME	HOLDINGS	%
13	HAMIDON BIN ABDULLAH	500,000	0.67
14	GAN AH KOW	356,400	0.48
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD FOR LIM BENG GUAN	333,100	0.44
16	REDRING SOLDER (MALAYSIA) SDN BHD	310,000	0.41
17	YEAP SOON SIT	275,000	0.37
18	HDM NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR NORMAN KA CHEUNG IP	250,000	0.33
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NETHERLANDS)	206,800	0.28
20	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K)	204,300	0.27
21	DOMAIN ADVISORY SDN BHD	200,000	0.27
22	LEE CHOON CHIN	190,000	0.25
23	GAN AH KOW	186,600	0.25
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	185,700	0.25
25	GOH PHAIK LYNN	167,200	0.22
26	LAI FOOK HOY	157,000	0.21
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MD AJIB BIN HJ ANUAR	150,000	0.20
28	LIONEL LOKE KOK HOOI	150,000	0.20
29	WINNIE HAMZAH SENDUT	135,000	0.18
30	TA NOMINEES (TEMPATAN) SDN BHD FOR SIEW NIM CHEE & SONS SENDIRIAN BERHAD	130,000	0.17
	TOTAL	**68,712,100**	**91.62**

LIST OF SUBSTANTIAL SHAREHOLDERS

NAME	Direct (No. of shares)	Percentage (%)	Deemed Interest (No. of shares)	Percentage (%)
1. THE STRAITS TRADING COMPANY LIMITED	28,090,000	37.45	26,780,800	35.71
2. STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	17,374,500	23.17	–	–
3. SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	7.20	–	–
4. OVERSEAS - CHINESE BANKING CORPORATION LIMITED	–	–	54,870,800	73.16

PROXY FORM

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)
(Incorporated in Malaysia)

I / We ______________________________ (full name in block letters)
of ______________________________ (address)
being a member/members of **MALAYSIA SMELTING CORPORATION BHD** hereby appoint

NAME	ADDRESS	NRIC/ PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS %

And/or (delete as appropriate)

NAME	ADDRESS	NRIC/ PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS %

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on Monday 23 April 2007 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 the Audited Financial Statements		
2	Declaration of Dividend		
3	Re-election of Director – YBhg. Dato' Dr Mohd Ajib Anuar		
4	Reappointment of Director – Mr Choi Siew Hong		
5	Approval of Directors' Fee		
6	Reappointment of Auditors		

Dated this ________ day of ____________ 2007

Total Number of shares	

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

IMPORTANT: PLEASE READ NOTES BELOW

Notes:

- *A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Act shall not apply to the Company.*
- *To be valid this form, duly completed must be deposited at the Registered Office of the Company at 27, Jalan Pantai, 12000 Butterworth, Penang not less than forty eight (48) hours before the time for holding the meeting.*
- *A member shall be entitled to appoint more than one(1) proxy to attend and vote at the same meeting.*
- *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
- *If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.*

Fold along this line

Affix
Postage
Here

To:

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

Fold along this line

REGISTERED OFFICE

27 Jalan Pantai, 12000 Butterworth, Penang, Malaysia. • Tel: 04-333 3500 • Telefax: 04-331 7405 / 332 6499