

17 February 2005

By fax/hand

The Board of Directors
Malaysia Smelting Corporation Berhad
B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

Dear Sirs

NOTICE OF MANDATORY OFFER ("NOTICE")

1. INTRODUCTION

- 1.1 On behalf of Straits Trading Amalgamated Resources Sdn Bhd ("**STAR (M)**") or "**Offeror**"), a wholly-owned subsidiary of The Straits Trading Company Limited ("**STC**"), Commerce International Merchant Bankers Berhad ("**CIMB**") writes to notify you of STAR (M)'s obligation to extend a mandatory offer in accordance with Practice Note 2.1 of the Malaysian Code on Take-Overs and Mergers, 1998 ("**Code**") for 16,361,000 ordinary shares of Malaysia Smelting Corporation Berhad ("**MSC**") of RM1.00 each ("**MSC Shares**") representing 21.81% of the issued and paid-up share capital of MSC (the "**Offer Shares**") not already owned by STAR (M) and the persons acting in concert ("**PAC**") with it as at the date of this Notice for a cash consideration of RM6.30 for each Offer Share ("**Offer**").
- 1.2 The PAC with STAR (M) are Straits Trading Amalgamated Resources Private Limited ("**STAR (S)**"), STC, Baxterley Holdings Private Limited ("**BH**") and Sword Investments Private Limited ("**SI**"). STAR (S), BH and SI are wholly-owned subsidiaries of STC. STC is the ultimate offeror for the Offer.
- 1.3 The Offer Shares exclude 22,500,000 MSC Shares, representing 30.0% of the issued and paid-up share capital of MSC owned by MMC Corporation Berhad (*formerly known as Malaysia Mining Corporation Berhad*) ("**MMC**") for which MMC has, on 26 November 2004, given STC an irrevocable undertaking not to accept a mandatory offer by STC of MSC Shares.
- 1.4 On 26 November 2004, STC had entered into a conditional share acquisition agreement ("**SAA**") to acquire 5,580,000 and 564,000 MSC Shares, representing a total of 8.19% of the equity interest in MSC, from MMC and Anglo-Oriental (Annuities) Sdn Bhd, a wholly-owned subsidiary of MMC, respectively for a total cash consideration of RM38,707,200 or RM6.30 per MSC Share ("**Acquisition**"). Pursuant to the SAA, STC has nominated STAR (M), its wholly-owned subsidiary, to receive the MSC Shares from MMC and Anglo-Oriental (Annuities) Sdn Bhd. All conditions precedent to the SAA were met on 17 February 2005.

As at 26 November 2004, the PAC were the registered and beneficial owners of an aggregate of 29,995,000 MSC Shares, representing 39.99% of the issued and paid-up share capital of MSC. Upon completion of the Acquisition, the equity interest of STAR (M) and the PAC in MSC would increase from 39.99% to 48.19% comprising 36,139,000 MSC Shares. Given that STAR (M) and the PAC collectively do not own in aggregate more than 50% of the MSC Shares, the Offer to be made by STAR (M) shall be conditional as to the level of acceptances from the holders of the Offer Shares ("**Offeree Shareholders**") which would result in STAR (M) and the PAC holding in aggregate more than 50% of the issued and paid-up share capital of MSC.

1.5 The Acquisition and Offer are subject to the following:

- (a) consents of the relevant lenders of MMC for the Acquisition, which have been obtained by MMC as stated in its notification letter to STC dated 20 December 2004;
- (b) approval of Ministry of International Trade and Industry which was obtained on 27 January 2005; and
- (c) approval of Bank Negara Malaysia, which was obtained on 17 February 2005.

2. THE OFFER

2.1 CIMB, on behalf of STAR (M), hereby serves this Notice to the Board of Directors of MSC to acquire the Offer Shares.

STAR (M) was incorporated in Malaysia on 8 December 2004 as a private limited company under the Companies Act, 1965. The principal activity of STAR (M) is investment holding. STAR (M) is a wholly-owned subsidiary of STAR (S).

STAR (S) was incorporated in Singapore on 8 December 2004 as a private limited company. The principal activity of STAR (S) is investment holding.

STC was incorporated in Singapore as a limited company on 8 November 1887. STC is currently listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The principal activity of STC is investment holding. Its subsidiaries and associated companies are primarily engaged in tin smelting, investment advisory and fund management, investment holding and trading, property development and investment, media advertising, and in the owning and managing of hotels and other assets.

2.2 To accept the Offer, Offeree Shareholders are to refer to the procedures for acceptances which will be detailed in a document outlining the Offer together with the accompanying Form of Acceptance and Transfer ("**Offer Document**") to be posted to them in due course. The Offer will be made to each of the Offeree Shareholders in respect of all their Offer Shares.

3. TERMS AND CONDITIONS OF THE OFFER

The principal terms and conditions of the Offer, unless otherwise directed or permitted to be varied by the Securities Commission ("SC"), will be as follows:

3.1 Consideration

The Offeror shall pay RM6.30 in cash for each Offer Share to all Offeree Shareholders who accept the Offer.

Notwithstanding the provision of Section 3.3 of this Notice, in the event MSC declares any dividend prior to the close of the Offer and the Offeree Shareholder is entitled to retain the dividend declared, the consideration for each Offer Share shall be reduced by the quantum of net dividend per share such Offeree Shareholder who accepts the Offer is entitled to retain.

Offeree Shareholders may accept the Offer in respect of all or part of their Offer Shares. Fractions of a sen will not be paid to the accepting Offeree Shareholder and entitlements to the cash payment will be rounded down to the nearest whole sen.

3.2 Date of Offer

Barring unforeseen circumstances and unless otherwise directed by the SC to defer in doing so or permission is granted by the SC for deferment, the Offer will be made in conjunction with the posting of the Offer Document which will not be later than 35 days from the date hereof or any extension thereof as may be approved by the SC.

An application will be made to the SC for deferment if the posting of the Offer Document is to be later than the requisite 35 days. The Offer Document will be posted to the Board of Directors of MSC and Offeree Shareholders whose names appear on the Record of Depositors of MSC as at the latest practicable date prior to the posting of the Offer Document.

3.3 Warranty

The Offer Shares will be acquired on the basis of an acceptance by an Offeree Shareholder of the Offer made to him/her/it in accordance with the provisions of the Offer Document and such acceptance will be deemed to constitute a warranty by the Offeree Shareholder that the Offer Shares, to which the acceptance relates, are sold free from all claims, charges, liens, encumbrances, options, rights of pre-emption, third party rights and equities and with all rights and entitlements attached thereto, including the right to all dividends and/or distributions declared, paid or made thereon after the date of the Offer Document.

However, if MSC declares any dividend prior to the close of the Offer and the Offeree Shareholder is entitled to retain the dividend declared, the consideration for each Offer Share shall be reduced by the quantum of net dividend per share such Offeree Shareholder who accept the Offer is entitled to retain.

3.4 Duration of the Offer

- (a) Except insofar as the Offer is withdrawn by STAR (M) with the approval of the SC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances until 5.00 p.m. (Malaysian time) for at least 21 days after the date of posting of the Offer Document (“**Posting Date**”), unless extended or revised by STAR (M) with the consent of the SC.
- (b) If the Offer is revised after the Posting Date, it will remain open for acceptances for a period of at least 14 days from the date of posting of the written notification of the revision to the Offeree Shareholders. Where the terms are revised, the benefits of the Offer, as so revised will be made available to the Offeree Shareholders who have previously accepted the Offer.

The Offer may not be revised after the 46th day from the Posting Date.

- (c) Where the Offer has become or is declared unconditional as to the acceptances of the Offer on any day **BEFORE** the 46th day from the date of despatch of the Offer Document, the Offer will remain open for acceptances for not less than 14 days from the date on which the Offer becomes or is declared unconditional which shall, in any event, be no later than the 60th day from the date of despatch of the Offer Document.
- (d) Where the Offer has become or is declared unconditional as to the acceptances of the Offer on any day **AFTER** the 46th day from the date of despatch of the Offer Document, the Offer will remain open for acceptances for not less than 14 days from the date on which the Offer becomes or is declared unconditional which shall, in any event, be no later than the 74th day from the date of despatch of the Offer Document.
- (e) Sections 3.4(c) and 3.4(d) of this Notice shall not apply if the Offeror has given at least 14 days notice in writing to the Offeree Shareholders that the Offer shall not be open for acceptances beyond the date which is the 60th day from the date of despatch of the Offer Document provided that no such notice shall be given by the Offeror where a competing take-over offer has been announced unless the competing take-over offer has reached its conclusion or the holder(s) of 50% or more of the voting shares of MSC have irrevocably rejected the competing take-over offer in favour of the Offer.
- (f) If there is any announcement of an extension of the Offer, the next expiry date of the Offer will be stated.

3.5 Rights of withdrawal by an accepting Offeree Shareholder

- (a) All acceptances of the Offer by an Offeree Shareholder shall be irrevocable. Where STAR (M) fails to comply with any of the requirements set out in Section 3.8(a) below by the close of trading at Bursa Malaysia Securities Berhad (“**Bursa Securities**”) on the market day following the day on which the Offer is closed, revised or extended (“**Relevant Day**”), any Offeree Shareholder who has accepted the Offer shall be entitled to withdraw his/her/its acceptance immediately thereafter.

- (b) Notwithstanding Section 3.5(a) above, the SC may terminate the above right of withdrawal if:
- (i) STAR (M) has complied with the requirements of Section 3.8(a) below within eight (8) days from the Relevant Day where the expiry of the eight (8) day period from the Relevant Day shall not fall after the 60th day from the Posting Date; and
 - (ii) STAR (M) has confirmed in a statement by way of press notice that the Offer is still unconditional as to acceptances.

However, the right of any person who has already withdrawn his/her/its acceptance under Section 3.5(a) above shall not be prejudiced by the termination of such right of withdrawal by the SC.

3.6 Withdrawal of Offer by STAR (M)

The Offer may not be withdrawn by STAR (M) without prior written approval of the SC.

3.7 Method of Settlement

Save for STAR (M)'s right to reduce the cash consideration for the Offer Shares as set out in Section 3.1 above, the settlement of the consideration to which any Offeree Shareholder is entitled under the Offer will be implemented in full, in accordance with the terms of the Offer without regard to any lien, right of set-off, counter claim or other analogous rights to which STAR (M) may otherwise be, or claim to be, entitled against the said accepting Offeree Shareholder. This, however, is without prejudice to STAR (M)'s rights to make any claim against the accepting Offeree Shareholder after such full settlement in respect of a breach of the warranty as set out in Section 3.3 above.

The settlement of the Offer will be effected via the remittance in the form of cheques, banker's drafts and/or cashier's orders which will be despatched by ordinary mail to the accepting Offeree Shareholders (or their designated agents, as they may direct) at their own risk. The settlement for the Offer Shares in respect of which the Offer has been accepted will be effected within 21 days from the unconditional date or within 21 days from the date of receipt of such acceptances in respect of acceptances received after the unconditional date, provided that those acceptances are deemed by STAR (M) to be complete and valid in all respects in accordance with the terms and conditions in the Offer Document.

3.8 Announcement of Acceptances

- (a) STAR (M) shall inform the SC and Bursa Securities and announce by way of press notice before trading in the securities of MSC commences on Bursa Securities on the Relevant Day, the total number of Offer Shares together with its percentage in the issued and paid-up share capital of MSC:
- (i) in respect of which acceptances of the Offer have been received after the Posting Date;
 - (ii) held by STAR (M) and the PAC as at the Posting Date; and

- (iii) acquired or agreed to be acquired by STAR (M) and the PAC during the period commencing from the date of this Notice to the first closing date of this Offer.
- (b) In computing the Offer Shares represented by acceptances, there may be included or excluded for announcement purposes, acceptances not in order in all respects or which are subject to verification.
- (c) References to the making of an announcement or the giving of notice by STAR (M) include the release of an announcement by CIMB or its advertising agent(s) to the press or the delivery of or transmission by telex, facsimile or Bursa Securities's electronic document management system of an announcement to Bursa Securities.
- (d) An announcement made otherwise than to Bursa Securities shall be notified simultaneously to Bursa Securities.

3.9 General

- (a) All communications, notices, documents and payments to be delivered or sent to the Offeree Shareholders or their designated agents will be sent by ordinary mail to the Offeree Shareholders' registered address last maintained with Bursa Malaysia Depository Sdn Bhd (*formerly known as Malaysian Central Depository Sdn Bhd*) at their own risk. Unless the contrary is proved, delivery of the communication/notice/document shall be presumed to be effected by properly addressing, prepaying and posting by ordinary mail the communication/notice/document and shall be presumed to have been effected at the time when the document would have been delivered in the ordinary course of the mail.
- (b) The Offer and all acceptances received thereunder will be construed under and governed by Malaysian law, and STAR (M) and the PAC and the Offeree Shareholders shall submit to the exclusive jurisdiction of the courts of Malaysia.
- (c) Offeree Shareholders may accept the Offer made to them in respect of all or part of their Offer Shares.
- (d) The Form of Acceptance and Transfer which will accompany the Offer Document will contain provisions for the acceptance of the Offer and the transfer of the Offer Shares to STAR (M) or its appointed nominees, instructions for the completion of the Form of Acceptance and Transfer and other matters incidental to the acceptance of the Offer and the transfer of the Offer Shares to STAR (M). No acknowledgement of the receipt of the Form of Acceptance and Transfer will be issued.
- (e) All costs and expenses of or incidental to the preparation and posting of the Offer Document (other than professional fees and other costs relating to the Offer incurred by MSC) and stamp duty, if any, resulting from acceptances of the Offer will be borne by STAR (M). Offeree Shareholders accepting the Offer will, however, bear all costs relating to the acceptance of the Offer.
- (f) Accidental omission to post the Offer Document to any person to whom the Offer is made shall not invalidate the Offer in any way.

4. LISTING OF MSC

- 4.1 Pursuant to Paragraph 8.15 of the Listing Requirements of Bursa Securities, in order to ensure the continued listing of MSC, MSC must satisfy the shareholding spread requirement that at least 25% of the total MSC Shares in issue are in the hands of a minimum of 1,000 public shareholders holding not less than 100 MSC Shares each.

A listed company which fails to maintain the required shareholding spread shall be given six (6) months from the date of notification by Bursa Securities, or such other period as may be determined by Bursa Securities, to rectify the situation.

In the event the shareholding spread of MSC after the Offer is equal to or below 10% of the total MSC Shares in issue, Bursa Securities may immediately suspend the trading of MSC Shares.

- 4.2 **It is the intention of STAR (M) to maintain the listing status of MSC.** In the event that the above said Paragraph 8.15 of the Listing Requirements of Bursa Securities becomes applicable, STAR (M) and STC would explore various options to address the shareholding spread requirement of MSC.

With respect to the above, STAR (M) will endeavour its best to rectify the public shareholding spread of MSC, if necessary, within six (6) months from the date of closing of the Offer or such other time as approved by Bursa Securities.

However, any such proposal to be undertaken by STAR (M) and STC to rectify the public spread of MSC will be subject to STAR (M) and the PAC retaining an equity interest of more than 50% in MSC and the proposal not having a negative financial impact to the STC group.

- 4.3 Section 34 of the Securities Commission Act, 1993 (“SCA”) provides that where a take-over offer by an offeror to acquire all the shares in an offeree has, within four (4) months after making the take-over offer, been accepted by the shareholders of not less than nine-tenths in the nominal value of those shares (other than shares already held at the date of the take-over offer by the offeror or by a nominee or a related corporation of the offeror), the offeror may, at any time within two (2) months after the take-over offer have been so accepted, give notice to any dissenting shareholder that it desires to acquire his shares, subject to the offeror complying with Section 34 of the SCA.

In view of the irrevocable undertaking from MMC that it will not accept the Offer in respect of its 30% equity interest in MSC, the provisions of Section 34 of the SCA to compulsorily acquire any outstanding Offer Shares for which acceptances have not been received will not be invoked.

5. FINANCIAL RESOURCES

STAR (M) and STC, as the ultimate offeror, confirm that the Offer would not fail due to insufficient financial capability of STAR (M) and that every Offeree Shareholder who wishes to accept the Offer will be paid in full by way of cash.

CIMB, as the financial adviser, is reasonably satisfied that there are sufficient resources available to STAR (M) such that the Offer would not fail due to insufficient financial capability of the Offeror and that every Offeree Shareholder who wishes to accept the Offer will be paid in full.

6. DISCLOSURE OF INTEREST IN MSC

In accordance with Section 12(4)(c) and (d) of the Code, STAR (M) hereby discloses the following:

- (a) As at the date of this Notice, the PAC holds 29,995,000 MSC Shares representing 39.99% of MSC's issued and paid-up share capital. Upon the completion of Acquisition, STAR (M) and the PAC will hold an aggregate of 36,139,000 MSC Shares, representing 48.19% of MSC's issued and paid-up share capital;
- (b) STAR (M) and the PAC have not received any irrevocable undertaking from any Offeree Shareholder to accept the Offer in respect of the Offeree Shareholder's holdings in MSC;
- (c) STAR (M) does not have any options to acquire additional MSC Shares; and
- (d) Save for the following, there is no existing or proposed agreement, arrangement or understanding in relation to the Offer Shares between STAR (M) and the PAC, and the shareholders of MSC:

On 26 November 2004, STC received an irrevocable written undertaking from MMC not to accept any offer in respect of its remaining investment in MSC of 22,500,000 MSC Shares representing 30% of the issued and paid-up share capital of MSC.

7. DIRECTORS' RESPONSIBILITY STATEMENT

This Notice has been seen and the issue of this Notice has been approved by the Board of Directors of STAR (M), STAR (S) and STC and that they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquires to the best of their knowledge and belief, there are no false or misleading statements or other material facts the omission of which would make any statement herein false or misleading.

8. PUBLIC RELEASE

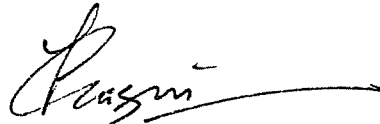
In accordance with the provisions of the Code, copies of this Notice will be released to the press and forwarded to the SC and Bursa Securities for public release.

We would be grateful if you would acknowledge receipt by signing and returning to us the duplicate of this Notice.

Yours faithfully
for **COMMERCE INTERNATIONAL
MERCHANT BANKERS BERHAD**



David Cheah
Director
Corporate Finance



William Wong
Senior Manager
Corporate Finance

TO: COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD

We, Malaysia Smelting Corporation Berhad, hereby acknowledge receipt of this Notice of Mandatory Offer by Straits Trading Amalgamated Resources Sdn Bhd dated 17 February 2005.

On behalf of the Board of Directors
Of Malaysia Smelting Corporation Berhad



Name

Dato' Mohd Ajib Anuar

Designation

CEO/Executive Director

Date

17/2/2005