

**ANNOUNCEMENT**

**SUBJECT : Appointment Of Straits Resource Management Private Limited To Provide Management, Technical, Marketing, Financial And Advisory Services To Malaysia Smelting Corporation Berhad And Its Subsidiaries And Associated Companies**

**Contents :**

Pursuant to paragraph 10.08 and 10.09 of the Bursa Malaysia Listing Requirements, Malaysia Smelting Corporation Berhad (“MSC” or “the Company”) wishes to announce that it has today entered into an agreement with Straits Resource Management Private Limited (“SRM”), a wholly owned subsidiary of its holding company, The Straits Trading Company Limited (“STC”), for the provision of management, technical, marketing, financial and advisory services (“Management Services Agreement”) to MSC, its subsidiaries and associated companies (“MSC Group of Companies”). Each subsidiary company of MSC shall subsequently enter into similar agreements with SRM in due course.

The above mentioned transaction is referred to as “Recurrent Related Party Transaction”.

**Class of Related Party Transaction :**

**MSC**

MSC is a subsidiary of STC which holds 63.31% of its issued and paid-up capital.

**SRM**

SRM is a wholly owned subsidiary of STC. SRM is principally involved in the provision of management, technical, marketing, financial and advisory services to metals and mineral based companies.

**Rationale for Recurrent Related Party Transaction**

STC is expanding its investments into a more diversified resources sector, focusing primarily on minerals and base metals. This includes the setting up of a premier resource management and advisory company, namely SRM, to provide comprehensive management, technical, marketing, financial and advisory services in the metals and mineral industry.

## *Malaysia Smelting Corporation Berhad*

SRM will provide the continuity in building up the necessary core competencies for the MSC Group of Companies' existing operations, expansion programmes and strategic investments in the tin business. In addition, the MSC Group of Companies will benefit from a more cost-effective management of manpower needs in key areas of operations and management, and STC's strategic positioning and networking in the mineral and resources sector.

The Group CEO/Executive Director and the Group Chief Operating Officer of the MSC Group of Companies are currently serving on short-term extended contracts on a monthly basis. Two of the Company's senior consultants are currently also on short-term contracts. These officers have expressed their willingness to continue serving the MSC Group of Companies through SRM after expiry of their service contracts with the Company.

### **Salient Terms of the Management Services Agreement for the Recurrent Related Party Transaction ("Agreement")**

#### **1. Scope of Management Services to be Provided**

SRM shall provide comprehensive management, technical, marketing, financial and advisory services for the MSC Group of Companies' tin mining and smelting business.

#### **2. Fee Structure**

MSC and its subsidiary companies shall pay an effective fee of RM6,300,000 in the first year to SRM

The proposed fee is approximately RM1.25 million higher than what it would cost the MSC Group of Companies on a status quo basis. The proposed increase, which represents less than 0.5% of the Group annual operating expenditure, will enable MSC Group to benefit from a more comprehensive range of management and technical services provided by a centralized pool of services in SRM.

#### **3. Duration**

The duration of the Agreement is for a period of five (5) years with automatic renewal upon expiry at terms to be negotiated at that point in time, unless written notice of termination is given by the Company and/or subsidiary concerned, not less than 1 (one) year prior to the expiration of Agreement or it is renewed for a specific period by mutual consent until terminated by six months' notice in writing by MSC and/or subsidiary concerned.



# *Malaysia Smelting Corporation Berhad*

## **Effects of the Recurrent Related Party Transaction**

### **Share Capital**

The Recurrent Related Party Transaction will not have any effect on the issued and paid up share capital of MSC.

### **Shareholding Structure**

The Recurrent Related Party Transaction will not have any effect on the shareholding structure of MSC.

### **Earnings**

The Recurrent Related Party Transaction is not expected to have any material impact on the earnings of MSC Group of Companies for the financial year ending 31 December 2006.

### **Net Assets ("NA")**

The Recurrent Related Party Transaction is not expected to have any material effect on the NA of the MSC Group of Companies for the financial year ending 31 December 2006.

## **Directors' and Major Shareholders' Interest**

STC is a major shareholder and the holding company of MSC. SRM is a wholly-owned subsidiary of STC.

YBhg. Jen.(B) Tun Ibrahim bin Datuk Ismail and Mr Norman Ip Ka Cheung are Directors of both STC and MSC. Mr Norman Ip Ka Cheung is also a director of SRM. YBhg. Dato' Dr Mohd Ajib Anuar is a Director of MSC who has expressed interest in joining SRM.

As such, the Directors mentioned above are deemed interested in the Recurrent Related Party Transaction.

Save as disclosed above, none of the Directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Recurrent Related Party Transaction.

# *Malaysia Smelting Corporation Berhad*

## **Approval Required**

The Recurrent Related Party Transaction does not require the approval of shareholders.

## **Board of Directors' Statement**

The Board of Directors of MSC, with the exception of the interested Directors, having taken into consideration all aspects of the Recurrent Related Party Transaction, is of the view that the transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

This announcement is dated 18 April 2006.

By order of the Board  
Abdul Rahim Hussain  
Sharifah Faridah Abd. Rasheed  
Company Secretaries  
18 April 2006.