MSC

Malaysia Smelting Corporation Berhad

(43072-A)

# Driven by our INTEGRITY and aspirations

ANNUAL REPORT **2015**

# VISION

To be a successful world-class organization in its integrated core businesses of mining, smelting, manufacturing and global marketing for tin and tin-based products delivering sustainable shareholder value through quality operations.

# MISSION

Whether in the upstream or downstream sectors of the world tin industry, the name MSC will be synonymous with creativity, value, service and quality.

MSC Group will be a creative organization, caring about its employees and its customers.

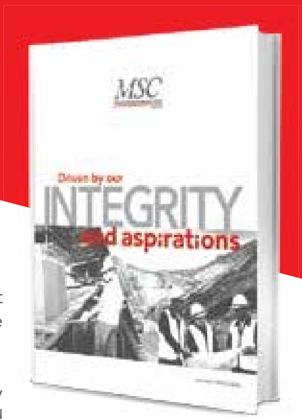
- We will provide the highest levels of service to all the Group's suppliers and customers by participating and contributing solutions and values in all stages of the world tin supply chains - mining, smelting, refining, recycling, products transformation, engineering and marketing;
- We will respond quickly and sensitively to the changing needs of the Group's suppliers and customers;
- We aim to nurture an atmosphere of continuous self-development by emphasizing on training and development while adhering to the highest standard of integrity.

MSC Group's growth strategy is to leverage on its core competencies to focus on organic growth as well as on strategic acquisitions that will broaden the Group's core businesses and strengthen its global leadership position in both upstream and downstream sectors of the world tin industry.

# CORE VALUES

- Intellectual, honesty and integrity
- Adding value through innovation and continuous improvement
- Global perspective and competitive spirit
- Respect for the environment and the health and safety of its employees
- Creating sustainable shareholder value through quality operations

# COVER RATIONALE




This annual report cover marks the first of a series of 3 annual report covers that invites you to get to know the fundamentals that guide the actions of MSC as a corporate entity.

We start with the very core of MSC - the long history of integrity associated with the Company and the pervasive culture of integrity and trust that permeate every aspect of the Company's business and other activities. Cognisant that the timeless value of integrity has been pivotal to the Company's longevity thus far, we are guided by highest standards of ethical business, long lasting relationships and mutual trust and respect for employees, customers and partners.

Whilst we continue our strive towards achieving our aspirations of becoming a successful world class organization in our integrated core businesses of mining, smelting, manufacturing and global marketing for tin and tin-based products, we would always have the value of integrity ingrained in all our activities every step of the way.

## INSIDE THIS REPORT

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

- Dato' Ng Jui Sia (Chairman)
- Mr Peter Ho Kok Wai
- Mr John Mathew a/l Mathai

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

- Mr Chew Kwee San (Deputy Chairman)
- Ms Chew Gek Khim
- Ms Maggie Yeo Sock Koon

## COMPANY SECRETARY

- Cik Sharifah Faridah Abdul Rasheed (LS0008899)

## MANAGEMENT

- Mr Chua Cheong Yong
  *(Chief Executive Officer)*
- Mr Yap Fook Ping
  *(Group Chief Financial Officer)*
- Mr Raveentiran Krishnan
  *(Group Chief Operating Officer, Smelting)*
- Ir Mohamed Yakub Ismail
  *(Group Chief Operating Officer, Mining/ Senior General Manager, Rahman Hydraulic Tin Sdn Bhd)*
- En Madzlan Zam
  *(Head, Resources & Investments)*
- Mr Yap Kean Pang
  *(General Manager, Marketing & Trading)*
- Cik Sharifah Faridah Abdul Rasheed
  *(Head of Legal & Human Resources)*

## REGISTERED, CORPORATE & 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 9260-1
Fax : (603) 2166 6599
www.msmelt.com

## BUTTERWORTH SMELTER

27 Jalan Pantai
12000 Butterworth
Penang, Malaysia
Tel : (604) 333 3500
Fax : (604) 331 7405/ 332 6499
Email : msc@msmelt.com

## RAHMAN HYDRAULIC TIN SDN BHD

B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel : (603) 2166 8057
Fax : (603) 2166 3057

## SHARE REGISTRARS

- MALAYSIA

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7849 0777
Fax : (603) 7841 8151 / 8152

- SINGAPORE

Tricor Barbinder Share Registrar Services
80 Robinson Road
#02-00, Singapore 068898
Tel : 65) 6236 3333
Fax : (65) 6236 4399

## AUDITORS

Ernst & Young

## BANKERS

Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad
The Bank of Nova Scotia Berhad

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Singapore Exchange Securities Trading Limited

# INVESTING IN THE FUTURE

## EXPLORATION PROGRAMMES

to expand our tin resources towards meeting current and future demands

## EQUITY INTEREST INCREASE

to pave the way for future growth opportunities

*As a forward-looking organisation with vast experience and expertise in the industry, we have the necessary capabilities to not only face challenges but also build and maintain long-term value for the benefit of all our stakeholders.*

## CAPACITY BUILDING

to ensure that our resources and expertise are future-ready

## REINFORCING OUR FOUNDATION

to maintain our prominent position as we progress

# MSC – A GLOBAL INTEGRATED TIN MINING AND SMELTING GROUP

The MSC Group is currently one of the world's leading integrated producers of tin metal and tin based products and a global leader in custom tin smelting since 1887. In 2015, the Group produced 30,209 tonnes of tin metal maintaining its position as the second largest supplier of tin metal in the world. MSC is listed both on the Main Market of Bursa Malaysia since 15 December 1994 and the Main Board of Singapore Exchange (SGX-ST) since 27 January 2011. MSC is a subsidiary of The Straits Trading Company Limited of Singapore.


With the Group's core expertise and solid foundation of 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 ores into high purity tin metal for industrial application. The plant has a production capacity of approximately 40,000 tonnes of refined tin a year and uses reverberatory furnace technology which is ideally suited for custom smelting. The smelting and refining operation has undergone significant technological, flow sheet and process changes and now has the capability of treating a wide variety of tin bearing materials.

***the Group's smelting facility in Butterworth operates one of the most cost-efficient smelting plants in the world***

In the mid-90's the Group started a tin marketing and trading arm under the smelting division. The downstream unit provides the Group with hedging, pricing and marketing linkages to the Kuala Lumpur Tin Market / London Metal Exchange markets as well as the end-user markets worldwide. MSC Straits refined tin brand which is registered at LME and KLTM is accepted worldwide and has purity ranging from the standard Grade A (99.85% Sn) to the premium grade electrolytic tin (99.99% Sn).

**_Today RHT is a sustainable and significant tin producer in Malaysia._**

In November 2004, MSC expanded upstream in mining through the acquisition of Rahman Hydraulic Tin Sdn. Bhd. (RHT), Malaysia's long established and currently the largest operating open-pit hard rock tin mine. Since the takeover, extensive exploration works and improvements of milling/concentrator circuits and recovery operations have been undertaken and today RHT is a sustainable and significant tin producer in Malaysia.

The Group's 40% equity interest in Redring Solder (M) Sdn. Bhd. provides vertical integration to its tin smelting business and an entry into a profitable downstream solder manufacturing business with significant growth potential. Redring Solder's principal activities are the manufacture and sale of solder products for jointing and semi-conductor applications in the electrical and electronics industries.

## GROWTH STRATEGY

The Group's niche expertise in tin is continually being strengthened in all areas over the entire global tin supply chain covering geology, mining, mineral processing, smelting, marketing and resource management and financing.

MSC will pursue its growth strategy on its core business in tin 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 industry.

Investment opportunities will continue to be evaluated and the Group may in future decide to invest in selective projects that meet its investment criteria. Main emphases will be on opportunities in regions where the country risks could be effectively managed and that the mines could be developed and operated with relatively lower cost structure.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty Seventh Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at **Cantonment Room, Lobby Level, Evergreen Laurel Hotel Penang, 53 Persiaran Gurney, 10250 George Town, Penang, Malaysia** on **Wednesday, 11 May 2016** at **11.00 a.m.** 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 2015 and the Report of the Directors and Auditors thereon be and are hereby received."

2. "THAT Dato' Ng Jui Sia, 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."

3. "THAT Ms Chew Gek Khim, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

4. "THAT Mr Peter Ho Kok Wai, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

5. "THAT Mr John Mathew A/L Mathai, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

6. "THAT the Directors' fees of RM730,000.00 in respect of the year ended 31 December 2015 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."

7. "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."

**As SPECIAL BUSINESS:**

8. "THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad and/or Singapore Exchange Securities Trading Limited and other relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Board of Directors be and is also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and/or Singapore Exchange Securities Trading Limited."

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

**BY ORDER OF THE BOARD**
**Sharifah Faridah Abdul Rasheed**
Company Secretary
Kuala Lumpur
Date: 19 April 2016

**Notes:**

1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 5 May 2016 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Thirty Seventh AGM of the Company.*

2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint one (1) or more proxy to attend and vote in his stead. There is no restriction as to the qualification of a proxy and the provision of Section 149 (1)(b) of the Act shall not apply to the Company.*

3. *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.*

4. *A proxy form is enclosed and to be valid must reach the Registered Office of the Company at B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the meeting.*

5. *If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.*

**Explanatory Notes:**

**Resolution 1 – Receive Report of the Directors and the Audited Financial Statements**

The Agenda item no.1 is meant for discussion only. The provisions of Section 169 of the Companies Act 1965 and the Articles of Association of the Company require that the Audited Financial Statements and the Report of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

**Resolution 6 – Directors' Remuneration**

The Company needs to adequately remunerate its Directors so as to be able to attract and retain persons of high calibre and credibility with the necessary skills and experience to be members of the Board of the Company. The Board of Directors takes guidance from studies on Non-Executive directors' remuneration and compensation and market research reports in determining the level of fee appropriate for Directors of the Company. The increase in the proposed directors' fees is due to the fact that the Company does not have an Executive Director on the Board during 2015. As such there is a need to compensate for the greater amount of responsibilities expected of the non-executive members of the Board which include contribution towards development of corporate strategy, monitoring management performance, ensuring accuracy of financial information, overseeing risk management and internal control systems, ensuring financial controls are robust to meet objectives and ensuring proper succession planning for the Company. The skills and experience of the Directors are crucially required at a time when the Company operates amidst very challenging circumstances, against the backdrop of uncertain global economic environment and depressed commodity market.

**Resolution 8 (Special Business) – Authority to Allot Shares Pursuant to Section 132D of Companies Act 1965**

The proposed ordinary Resolution 8 above, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting subject to the limitation that the aggregate number of shares to be issued does not exceed ten per cent (10%) of the issued share capital of the Company for the time being. This authority will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

As at the date of this notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Thirty Sixth Annual General Meeting of the Company held on Tuesday, 27 April 2015. The renewed mandate for the allotment of shares will provide flexibility to the Company for the allotment of shares for the purposes of funding future investment, working capital and/or acquisitions.

# GROUP FINANCIAL HIGHLIGHTS

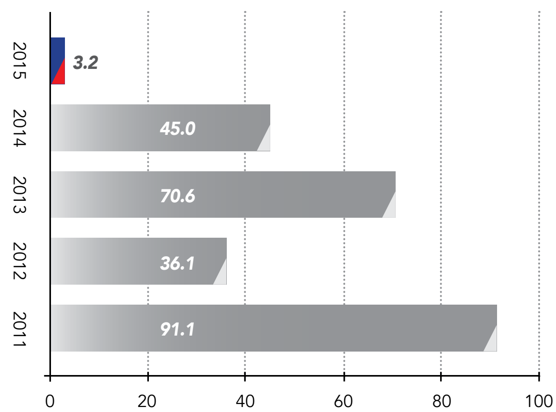
| | | Year ended 31 December | | | | |
|---|---|---|---|---|---|---|
| | | 2011 | 2012[(1)] Restated | 2013[(2)] | 2014 | 2015 |
| Revenue | (RM Mil) | 3,098.6 | 2,185.7 | 1,582.0 | 1,915.2 | **1,464.9** |
| Profit before tax - continuing operations | (RM Mil) | 91.1 | 36.1 | 70.6 | 45.0 | **3.2** |
| Income tax expense | (RM Mil) | (34.5) | (23.3) | (22.8) | (22.3) | **(8.0)** |
| Profit/(Loss) attributable to the owners of the Company | (RM Mil) | 60.5 | (172.3) | 16.8 | (9.9) | **(4.8)** |
| Total assets | (RM Mil) | 1,271.9 | 888.1 | 808.6 | 684.7 | **807.0** |
| Net current assets/(liabilities) | (RM Mil) | 119.4 | (61.1) | (11.8) | 49.6 | **32.5** |
| Equity attributable to the owners of the Company | (RM Mil) | 419.1 | 231.4 | 222.8 | 233.9 | **241.0** |
| Earnings/(Loss) per share | (sen) | 62 | (172) | 17 | (10) | **(5)** |
| Gross dividend declared/ proposed per share | (sen) | 30 | – | – | – | **–** |
| Net assets per share attributable to the owners of the Company | (sen) | 419 | 231 | 223 | 234 | **241** |
| Pre-tax profit for continuing operations on average equity attributable to the owners of the Company | (%) | 27 | 11 | 31 | 20 | **1** |

(1) Restated due to the adoption of IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine.

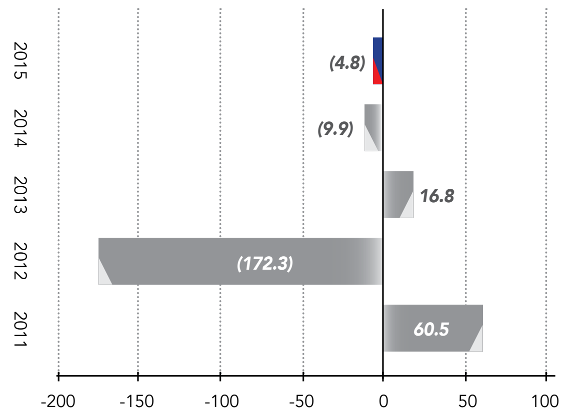
(2) Changed to present the performance of continuing operations and discontinued operations separately.

# GROUP FINANCIAL HIGHLIGHTS (cont'd)

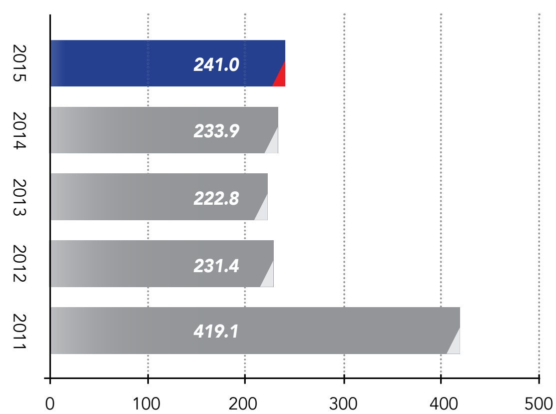
### Profit before tax - continuing operations (RM Mil)



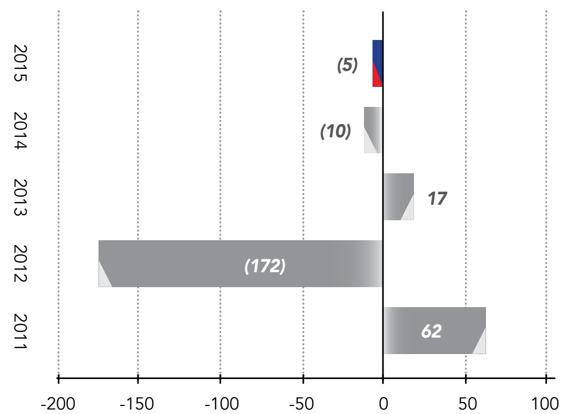

### Profit/(Loss) attributable to the owners of the Company (RM Mil)



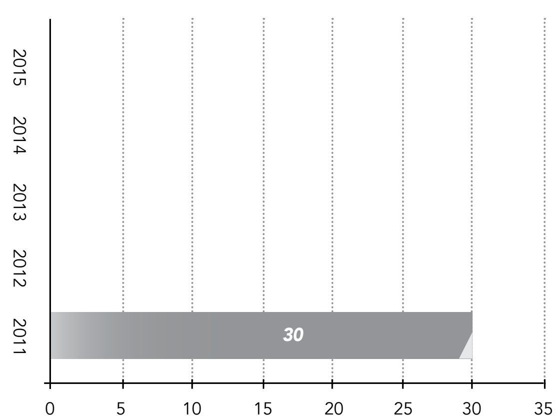

### Equity attributable to the owners of the Company (RM Mil)



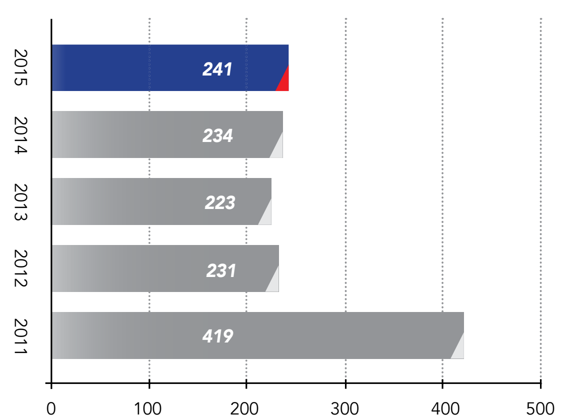

### Earnings/(Loss) per share (sen)




### Gross dividend declared/proposed per share (sen)




### Net assets per share attributable to the owners of the Company (sen)



# BOARD OF DIRECTORS

*Left to Right*

**Ms Chew Gek Khim**, *54, Singaporean*
*LL.B (Hons), University of Singapore*
*Non-Independent Non-Executive Director*
**Date first appointed:** *18 March 2016*

**Dato' Ng Jui Sia**, *64, Singaporean*
*BBA (Bachelor of Business Administration), University of Singapore;*
*Associate of the Institute of Chartered Accountants in England and Wales*
*Independent Non-Executive Director*
**Date first appointed:** *19 September 2012*

**Mr John Mathew a/l Mathai**, *53, Malaysian,*
*LL.B (Hons), University of Malaya, Advocate & Solicitor of the High Court of Malaya*
*Independent Non-Executive Director*
**Date first appointed:** *23 March 2016*

*Left to Right*

**Mr Chew Kwee San**, *47, Singaporean*
*LL.B (Hons), University of Nottingham*
*Non-Independent Non-Executive Director*
**Date first appointed:** *1 March 2010*

**Ms Maggie Yeo Sock Koon**, *49, Singaporean*
*Bachelor of Accountancy, Member of Institute of Singapore Chartered Accountants*
*Non-Independent Non-Executive Director*
**Date first appointed:** *17 March 2015*

**Mr Peter Ho Kok Wai**, *56, Malaysian*
*Fellow of The Institute of Chartered Accountants of England and Wales (ICAEW), Member of Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA)*
*Independent Non-Executive Director*
**Date first appointed:** *23 March 2016*

*None of the Directors of the Company have been convicted of any offence.*

# DIRECTOR'S PROFILE

## DATO' NG JUI SIA

Dato' Ng Jui Sia is a Singaporean aged 64 years. He was appointed to the Board of the Company in September 2012 as an Independent Non-Executive Director. He was also appointed as the member of the Audit Committee on the same date. In July 2014, Dato' Ng was appointed as the Senior Independent Director of the Company as well as a member of the Nominating Committee. He assumed the role as Chairman of the Company in March 2016.

Dato' Ng holds a Bachelor's degree in Business Administration, University of Singapore and is an Associate of the Institute of Chartered Accountants in England & Wales.

Dato' Ng began his career in accounting and auditing in London and Singapore with PriceWaterhouse and has extensive general management experience operating in Hong Kong, China, South Asia, Malaysia and Singapore. He was with Carnaud MetalBox Asia before he joined the F&N Group in 1995. He led a management team in F&N Coca-Cola Singapore and Malaysia from 1995 till 2006 prior to his secondment to F&Ns Times Publishing Ltd as Chief Executive Officer (CEO) with an international portfolio of printing, publishing, distribution and book retailing. Dato' Ng was also a nominee director in Fung Choi Media Group Ltd., a China based company listed on the Singapore Exchange Securities Trading Limited and PMP Ltd, a company listed on the Australia Stock Exchange from November 2007 to July 2010. From October 2010 to October 2013, Dato' Ng held the position of the CEO of the Fraser & Neave Holdings Berhad. Dato' Ng was the Group Chief Executive Officer, F&B (Non Alcoholic) of Fraser and Neave, Limited from July 2013 until May 2015, after which he was appointed as its Strategic Advisor, a position he holds to-date.

Dato' Ng was a director of Cocoaland Holdings Berhad, Fraser and Neave Holdings Berhad and a number of private limited companies in the Fraser & Neave Holdings Berhads Group.

Dato' Ng currently sits on the Board of Vietnam Dairy Products Joint Stock Company, a public listed company on the HoChiMinh Stock Exchange.

Dato' Ng does not have any family relationship with any other director and/or major shareholders of the Company.

## MR PETER HO KOK WAI

Mr Peter Ho Kok Wai is a Malaysian aged 56 years. He was appointed to the Board of the Company as an Independent Non-Executive Director on 23 March 2016. He was also appointed as a member of the Audit Committee of the Company on the same date.

Mr Peter Ho is a Member of Malaysian Institute of Accountants (MIA), Fellow of The Institute of Chartered Accountants in England and Wales (ICAEW) and Member of The Malaysian Institute of Certified Public Accountants (MICPA).

Mr Peter Ho forged his early career with Everett Pinto & Co., a central London Firm of Chartered Accountants in 1980, and qualified as a Chartered Accountant in 1984. Subsequently, in 1987, Mr Peter Ho joined KPMG, Kuala Lumpur ("KPMG, KL"), where he progressed to Head of Department in 1992. He was transferred to KPMG, Ipoh, in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG, KL in January 2006 where at different times, he headed the Technical Committee, Audit Function and Marketing Department. He has more than 27 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Mr Peter Ho retired from KPMG, KL, in December 2014.

Mr Peter Ho currently sits on the Board of Hong Leong Industries Berhad, GuocoLand (Malaysia) Berhad and Sapura Resources Berhad as an Independent Non-Executive Director.

Mr Peter Ho does not have any family relationship with any other director and/or major shareholders of the Company.

## MR JOHN MATHEW A/L MATHAI

Mr John Mathew a/l Mathai is a Malaysian aged 53 years. He was appointed to the Board of the Company as an Independent Non-Executive Director on 23 March 2016.

Mr John Mathew graduated from University Malaya with LL.B (Hons).

Mr John Mathew is an Advocate & Solicitor of the High Court of Malaya and has been in legal practice since February 1987. He is presently a partner of Messrs. Christopher & Lee Ong, Kuala Lumpur and co-heads the Dispute Resolution Practice of the firm. He is also a Notary Public.

Mr John Mathew does not have any family relationship with any other director and/or major shareholders of the Company.

## MR CHEW KWEE SAN

Mr Chew Kwee San is a Singaporean aged 47 years. He was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 1 March 2010. Currently, he is the Deputy Chairman of the Board, Chairman of the Nominating Committee and Chairman of the Remuneration Committee.

Mr Chew graduated with LL.B (Hons) from the University of Nottingham and was called to the Bar of England and Wales in 1994 and then admitted as an Advocate and Solicitor of the Supreme Court in Singapore in 1995.

Mr Chew is currently an Executive Director of the Tecity Group of companies which is a privately-held investment group founded by the late banker and philanthropist, Tan Sri Dr Tan Chin Tuan. The Group manages an active global investment portfolio. The Tecity Group of companies has substantial shareholdings in The Straits Trading Company Limited. As an Executive Director, Mr Chew sits on the investment committee that oversees its investment operations. He is also a Council Member of the Tan Chin Tuan Foundation in Singapore and Council Member of the Tan Sri Tan Foundation in Malaysia

He is a director and a member of the Audit Committee of FJ Benjamin Holdings Limited, a public listed company on the Singapore Exchange Securities Trading Limited.

Mr Chew is the brother of Ms Chew Gek Khim, who is also a director of the Company and the Executive Chairman of The Straits Trading Company Limited ("STC"). His mother is Dr Tan Kheng Lian, a substantial shareholder of STC. STC owns 55.30% of the equity of the Company.

# DIRECTOR'S PROFILE (cont'd)

## MS CHEW GEK KHIM

Ms Chew was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 18 March 2016.

A lawyer by training. She has been Chairman of The Straits Trading Company Limited ("STC") since 24 April 2008, first as Non-Executive and Non-Independent Chairman and then as Executive Chairman since 1 November 2009.

Ms Chew is also Executive Chairman of Tecity Group, which she joined in 1987. She is Deputy Chairman of ARA Asset Management Limited, Chairman of ARA Trust Management (Suntec) Limited, and sits on the board of Singapore Exchange Securities Trading Limited.

Ms Chew is also Deputy Chairman of Tan Chin Tuan Foundation in Singapore and Chairman of Tan Sri Tan Foundation in Malaysia. She is a Member of the Securities Industry Council of Singapore, the SSO Council and Board of Governors of S. Rajaratnam School of International Studies. She was the chairman of the National Environment Agency Board of Singapore from 2008 to 2015. Ms Chew was also previously a director of CapitaLand Retail China Trust (formerly CapitaRetail China Trust Management Limited) and board member of the Singapore Totalisator Board.

She was awarded the Chevalier de l'Ordre National du Mérite in 2010 and Singapore Businessman of the Year 2014 in 2015.

Ms Chew Gek Khim is the sister of Mr Chew Kwee San, the Deputy Chairman of the Company. She is also the Executive Chairman of STC, the major shareholder of the Company which owns 55.30% of the equity of the Company. Her mother is Dr Tan Kheng Lian, a substantial shareholder of STC.

## MS MAGGIE YEO SOCK KOON

Ms Maggie Yeo Sock Koon is a Singaporean aged 49 years. She was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 17 March 2015. She was also appointed as a member of the Audit Committee.

Ms Yeo graduated from the National University of Singapore with a Bachelor of Accountancy degree. She is a graduate of Institute of Chartered Secretaries and Administrators.

Ms Yeo joined The Straits Trading Company Limited as Finance Director on 8 September 2014. She was appointed Chief Financial Officer in July 2015. As Chief Financial Officer, she has overall responsibility of the Company's finance functions, including financial reporting, corporate finance, treasury, tax, budget management, risk management and capital management of STC and its group of companies. She plays a key role in working with senior management to develop, monitor and evaluate overall corporate strategy.

Ms Yeo has more than 20 years of working experience in the finance and accounting sectors. Prior to joining STC, she was the Senior Vice President for Reporting and Analytics Centre of Excellence in Sembcorp Industries Limited, the Chief Financial Officer in UMS Holdings Ltd and Director for Group Accounting Services in NOL. She was actively involved in mergers and acquisitions, financial and management reporting, budgeting and forecasting, shared services setup, tax, treasury as well as corporate governance and risk-management matters.

Ms Yeo does not have any family relationship with any other director and/or major shareholders of the Company.

# MANAGEMENT TEAM


## MR CHUA CHEONG YONG

Mr Chua Cheong Yong is a Malaysian aged 57. He was appointed Chief Executive Officer of Malaysia Smelting Corporation Berhad (MSC) in January 2014. Prior to that, he was the Deputy Group Chief Executive Officer for two years.

During his tenure as Deputy Group CEO, he continued to spearhead the International Tin Smelting operations of the MSC Group of companies as well as the Company's African tin projects, playing a pivotal role in creating new strategic business relationships for the Group as well as expanding established major accounts.

Mr Chua has over 30 years of service in the MSC Group, having spent most of his career in business development identifying viable resource projects and businesses for the Group. In addition, he also managed the day to day commercial, marketing and trading activities of the various local and overseas business units of the Group.

Mr Chua is a director to the Board of ITRI Ltd, the global R&D arm of the tin industry based in London. He also sits on the Boards of KLTM (Kuala Lumpur Tin Market) and Tin Board and is a council member of the Chamber of Mines, Malaysia.

Mr Chua holds a BSc (Hons) in Business Studies from the City University of London as well as a Diploma in Market Research.

1. **En Madzlan Zam**
   Head, Resources & Investments
2. **Mr Yap Fook Ping**
   Group Chief Financial Officer
3. **Cik Sharifah Faridah Abdul Rasheed**
   Group Company Secretary & Head of Legal and HR
4. **Mr Chua Cheong Yong**
   Chief Executive Officer
5. **Ir Mohamed Yakub Ismail**
   Group Chief Operating Officer, Mining/Senior General Manager, Rahman Hydraulic Tin Sdn. Bhd.
6. **Mr Raveentiran Krishnan**
   Group Chief Operating Officer, Smelting
7. **Mr Yap Kean Pang**
   General Manager, Marketing & Trading

# STATEMENT BY THE CHAIRMAN

*On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Malaysia Smelting Corporation Berhad (MSC or the Company) and its subsidiaries (the Group) for the financial year ended 31 December 2015.*

**For a number of commodities, 2015 was a year marked by erratic oversupply and declining demand resulting in declining prices to multi-year lows. Many of the issues that caused weakness across the resource sector in preceding 2014 prevailed and continued to be an ongoing theme in global markets in 2015**

The extent of the commodities rout was in fact more severe than earlier anticipated as the sector was being battered by the slowing global economy, diminished demand from China and other emerging economies as well as supply gluts arising from investments made during the decade-long super cycle in almost all commodities from oil to copper to grains.

To aggravate the situation, markets were also reacting to the first rise in US interest rates in a decade, which is signalling an end to the cheap-money era provided by the US Federal Reserve. The move lifted the pumped-up US dollar further, and intensified many of the strains in the global economy. The weakness in emerging market currencies was making an already slowing China less competitive globally, putting further pressure on Chinese policy makers to devalue its own currency. With China slowing down and amid the global commodity crunch, many commodity producers struggling and striving to survive were forced to sell at deep discounts, thus accelerating the downward movement of prices. For tin, prices too came under severe pressure as market participants scrambling to exit the resource sector made no distinction of tin's better fundamentals compared with other over-supplied metals.


On the domestic front, the local currency came under further tremendous selling pressure along with other currencies of commodity producing countries. While the weaker Ringgit has helped to cushion the downward impact of tin prices in Ringgit term, the extreme volatility in the currency market and the downward correction in tin prices had provided the MSC Group with a very challenging environment and affected the Group's financial performance. Against such backdrop and in the context of subdued industry demand which in turn reflected relatively slow global growth and volatile market conditions, the MSC Group posted a lower profit before tax of RM3.23 million in 2015. The profit was weighed down by lower tin prices, affecting the revenue, unfavourable inventory valuation adjustment, and foreign exchange losses.

*...the Group's cash and liquidity position have continued to improve...*

While the Board is less than satisfied with the financial performance of the Group, we take comfort in the Group's resilience to withstand the current severe downcycle which has caused significant operating losses and large asset impairments by major mining and commodity trading companies alike. Management's initiatives last year at implementing cost-cutting measures and being frugal in expenditure have strengthened the Group. The Group's core operations comprising the international tin smelting business at Butterworth and tin mining operation at Rahman Hydraulic still managed to achieve commendable performance despite the difficult environment they were operating in. I am pleased to note that despite the difficult circumstances, the Group's cash and liquidity position have continued to improve. In terms of market share, the MSC Group has retained its long-held position as the second largest producer of refined tin metal in the world during 2015.

# STATEMENT BY THE CHAIRMAN (cont'd)

## PROSPECTS

The tin industry remains beset by the challenges of declining resources of major producing countries; a dearth of new economically viable supply; cash flow problems for some producers, and inadequate investment to sustain industry production. Therefore, despite the slower demand in the short term, MSC Group maintains the view that tin is still an attractive industry to be in as the long term secular trend of increasing demand remains intact with evolving new alternative uses of tin. We expect that current market imbalance will eventually tilt in favour of positive prices over the medium to longer term.

***...tin is still an attractive industry to be in as the long term secular trend of increasing demand remains intact...***

In the meantime, the Group cannot be totally immune to the commodity cycles, nor can we accurately predict the turn of cycles. We just have to be ready to face all possibilities and aim to build value for our stakeholders consistently over the medium and long term, irrespective of the fluctuations and volatilities along the way.

With that guiding principle, the Group continues to invest in its future, even at times when prices are low. Besides ongoing exploration programmes to expand the Group's tin resources, MSC participated in the private placement of Alphamin Resources Corporation ("Alphamin") in 2015 to increase its equity interest in the company to 5%. Alphamin is a Toronto Venture Exchange listed developer of the Bisie project, a high grade tin prospect. We believe the small entry investment will provide MSC Group with favourable and interesting growth opportunities when the cycle turns.

The movement in commodity prices, the stability of the local currency and any policy adjustments in the advanced and emerging economies will have impact on the Group in today's macroeconomic environment. Amid the challenging global economic environment, the underlying operations of MSC Group comprising Butterworth International Tin Smelter and Rahman Hydraulic Tin Mine are expected to perform satisfactorily for the financial year ending 31 December 2016.

## DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2015.

## 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 set out in the Malaysian Code on Corporate Governance 2012.

## INTERNAL CONTROL AND RISK MANAGEMENT

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 and 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.

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

## ACKNOWLEDGEMENT

I regret that at the date of this report En Razman Ariffin, Mr Chew Hoy Ping and Ms Gee Siew Yoong had resigned from the Board. I would like to extend my sincere gratitude to all of them for their contributions to the Board and the Company over the years. In particular, I would like to extend a special note of thanks to En Razman Ariffin, the former Chairman of the Company, for his 10 years' of long and loyal service to the MSC Group as a director.

On behalf of the Board, I would like to express my thanks to all directors for their wise counsel and contributions throughout the year. I would also like to take this opportunity to thank all shareholders for their continued support and loyalty during another challenging year, as well as to the management team and to all our employees for their unwavering commitment, dedication and perseverance towards ensuring the success of the Group. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates, all our stakeholders and the various authorities for their cooperation and continued support.

Dato' Ng Jui Sia
Chairman

23 March 2016

***The Group has instituted an ongoing process for identifying, evaluating and managing the significant risks endemic to our industry.***

# CHIEF EXECUTIVE OFFICER'S REVIEW

## PERFORMANCE

The global tin industry experienced another year of weak demand and declining prices which impacted MSC Group's financial performance in 2015. Against a very challenging and volatile market environment marked by a severe and unprecedented down-cycle trend in the global resource and commodity sectors, MSC Group registered a lower annual profit before tax of RM3.23 million for the year ended 31 December 2015, compared with a profit before tax from continuing operations of RM44.99 million in financial year 2014.

Depressed tin prices coupled with volatile local currency movement in 2015, have materially impacted our financial results. Included in 2015 pretax profit was a RM14.2 million unfavourable stock valuation adjustment arising from a lower tin price as of end December 2015. In addition, earnings were also weighed down by the depreciation of the Ringgit which resulted in a significant net foreign exchange loss for the Group. After deducting income tax expenses, the Group reported a loss net of tax of RM4.8 million, compared with RM10.0 million in 2014.

Group revenue in financial year of 2015 came in 23.5% lower at RM1.46 billion from RM1.92 billion in 2014, primarily due to lower sales quantity of refined tin and much lower tin prices.

Most of the adjustments mentioned above are non-cash items and have little impact on the Group's cash position and cash flows. The net asset value (NAV) per share as at 31 December 2015, including these adjustments, showed a modest increase to RM241 million (2014: RM234 million) translating to an NAV of RM2.41 per share ( 2014: RM2.34 per share). Cash, bank balances and deposits also increased to RM134.0 million (2014: RM118 million).

At the operating level, the Group core operations driven by the International Smelting Business, currently the world's second largest refined tin producer, and Rahman Hydraulic Tin Mine, Malaysia's largest tin mine, registered commendable operating performances despite facing challenging market conditions during the year.

At the macro level, there continues to be significant concern about the state of the global economy which has a direct correlation to the resource and commodity sectors. Although the markets appear to have calmed down and recovered somewhat in early 2016, we continue to keep a cautious stance until there are clear signs that the global economy has rebalanced itself toward a more sustainable growth trajectory.

Taking cognizance that market conditions will continue to be difficult and challenging in the coming year the Group will continue to exercise prudent business measures and practices, including continuing operational and cost improvement across the business, disciplined capital management as well as strengthening of our liquidity and financial position, to enhance profitability and ensure that the Group will continue to sustain its operation through the current down-cycle.

| Production and Sales | 2015 | 2014 |
|---|---|---|
| Tin Metal Production (tonnes) | | |
| MSC International Custom Smelter, Butterworth | **30,209** | 34,971 |
| Rahman Hydraulic Tin (tin-in-concentrates) | **2,196** | 2,238 |
| Average tin price (USD per tonne) | **16,000** | 21,900 |
| Sales – Continuing Operations | **RM1.5 billion** | RM1.9 billion |

| Financial Highlights | 2015 | 2014 |
|---|---|---|
| Profit before tax (continuing operations) | **3** | 45 |
| ( Loss )/Profit after tax | | |
| - Continuing operations | **(5)** | 23 |
| - Discontinued operation | **nil** | (33) |
| Loss after tax attributable to the owners of the Company | **(5)** | (10) |
| Cash and bank balances | **134** | 118 |
| Equity attributable to the owners of the Company | **241** | 234 |
| Debt: Equity Ratio | **1.6** | 1.5 |
| Loss per share | **4.8 sen** | 9.9 sen |
| Net assets per share attributable to the owners of the Company | **RM2.41** | RM2.34 |
| Pre-tax return on average equity attributable to the owners of the Company (Continuing operations) | **1%** | 20% |

## INTERNATIONAL SMELTING BUSINESS

| | 2015 | 2014 |
|---|---|---|
| Production of refined tin metal (tonnes) | **30,209** | 34,971 |
| (Loss)/Profit before tax (RM million) | **(5.48)** | 38.63 |

***The Butterworth Smelter is optimistic that feed intake will be sustained in coming years particularly with improvement in tin prices.***

The Butterworth international smelting operations recorded a pre-tax loss of RM 5.48 million in 2015. Although the Butterworth Smelter was smelting close to capacity and earnings were in line with expectations the bottom line was significantly affected by the non-cash adjustments mentioned earlier.

Metal production decreased to 30,209 tonnes from 34,971 tonnes in 2014 due to lower feed intake numbers. While tin concentrates intake for smelting was slightly lower the intake, of crude tin for refining, however, fell significantly.

The Butterworth Smelter is optimistic that feed intake will be sustained in coming years particularly with improvement in tin prices. Global artisanal tin production is a major source of feed for the smelter and there is also a number of pipeline industrial scale tin projects and a recovery in tin prices will, invariably, lead to an increase in artisanal production as well as enabling some of the tin projects to come on-stream. However, intake of crude tin for refining will very much depend on legislation in tin metal producing countries in the Asian region.

# CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

***...significant efforts and capital continued to be expended for exploration and improvement in the mining operation...***

Significant efforts continued to be expended by the Group during the year to engage, promote and expand the implementation of the ITRI Tin Supply Chain Initiative (iTSCi), a due diligence scheme for responsible sourcing of minerals, in the Central African countries where the Butterworth Smelter receives a significant portion of its tin concentrates.

The Butterworth Smelter continued to engage with the electronic giants in the likes of Intel, Apple and others, under the Electronic Industry Citizen Coalition's conflict free smelter (CFS) certification to participating smelters, to ensure that minerals sourced by the tin smelting industry from Central African countries are conflict free. We are extremely proud that the Butterworth Smelter is now in its fourth year of the CFS certification. The certification requires a rigorous annual audit by an independent overseas firm appointed by the CFS scheme.

In 2014 and 2015, under the main sponsorship of MSC, the major International Tin Conference and Tantalum Conference, respectively, were successfully held in Penang with visits to the Butterworth smelting facility and RHT tin mine. MSC Group is regarded as a pivotal player in both industries and the success in organizing and exposure from the conferences and visits underscored MSC position in the international marketplace.

## RAHMAN HYDRAULIC TIN SDN BHD (RHT)

| | 2015 | 2014 |
|---|---|---|
| Production of tin-in-concentrates (tonnes) | **2,196** | 2,238 |
| Sales of tin metal (tonnes) | **1,922** | 2,238 |
| Profit before tax (RM million) | **14.19** | 29.80 |

RHT operates a hard-rock open-pit tin mine in the State of Perak. In 2015, the mine maintained its position as the largest producer of tin-in-concentrate in Malaysia, producing about 57% of the country's tin production.

All the processing plants at the mine operated at full capacity throughout the year treating ore material mined from the open-pit operation. The 2015 production of 2,196 tonnes of tin-in-concentrates is similar to that achieved in 2014.

Profit before tax, at RM14.19 million, was 52% lower than that recorded in 2014 mainly attributed to a 12% drop in net realisable tin price compared to 2014. The second half 2015 was particularly challenging as tin prices plummeted further but RHT was able to remain profitable as a result of the much weaker Ringgit and cost cutting measures.

In 2015, significant efforts and capital continued to be expended for exploration and improvement in the mining operation particularly in the management of the tailing dams as well as the water circuitry. RHT continued to engage closely with the local mining and environmental authorities to ensure that the best mining and environmental management practices are adopted and enhanced to comply with existing regulations.

## TIN EXPLORATION AND RESOURCES

RHT's estimated ore resources are based on results of drilling carried out between 2005 to 2012 comprising 98 reverse circulation (RC) drill holes and 49 diamond drill holes with a total length of 17,840 meters. The estimation and reporting of ore resources complied with the requirements of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code) and the ore resources as at 31 December 2015 are tabulated below.

| Resources Class | Resource Volume (m3) | Grade (KgSn/m3) | Contained Tin (tonnes Sn) |
|---|---|---|---|
| Measured | 1,739,240 | 2.46 | 4,271 |
| Indicated | 2,185,870 | 2.37 | 5,184 |
| Inferred | 14,329,429 | 1.70 | 24,301 |
| Total | 18,254,539 | 1.85 | 33,756 |

Out of the above total resource volume of 18,254,539 cu meters, about 6,655,000 cu meters grading an average of 2.27 KgSn/m3 and containing 15,119 tonnes of tin metal are located within the current designed mine pit.

As mentioned in last year's report, RHT carried out a deep drilling program in and around the mine pit in 2014 with the objective of increasing the current resource base and Life of Mine (LOM). In total, 23 drill holes with a total length of 6,153 meters were drilled and aimed at delineating new deep-seated tin mineralisation zones. The study of these new mineralisation zones intersected by the drilling program showed a resource at the west of the current mine pit that could be potentially mineable which warrants undertaking an in-fill drilling program to upgrade the geological confidence level of the resource. The in-fill drilling program is expected to be carried out over 2016 and 2017. A total of 16 drill holes are planned to be drilled at the western flank of the mine pit.

At SL Tin Sdn Bhd (SL Tin), 80% RHT owned project in Pahang, the trenching and channel sampling program that was carried out in 2014 was followed by a reconnaissance drilling program in 2015. A total of 18 drill holes with a total length of 2,346 meters were drilled. In general, the reconnaissance drilling program has intersected the downward extension of tin mineralization zones detected by the earlier trenching program. Based on the evaluation of the data, SL Tin is expected to proceed in 2016 with advanced exploration work comprising trial pitting and geophysical survey to further study and define the continuity and dimension of the identified tin mineralization zones before deciding on further drilling and/or to commence mining operation.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Our approach to Corporate Social Responsibility (CSR) includes viewing all business activities in terms of their impact on our employees, society and environment; considering future generations in our use of finite natural resources; integrating social and environmental responsibilities into our management system and partnering closely with government and all segments of society to achieve a sustainable operation and industry.

During 2015, the Group contributed RM18.9 million in the form of government taxes and royalties, RM3.9 million in environmental management and rehabilitation and RM0.7 million in various CSR programmes.

## OUTLOOK

The world economy and resource and commodity markets are expected to continue to be challenging. Although recent rally in commodities may necessary signal that prices and the current down-cycle trend have hit the bottom, at least in the near term, we believe a more sustained recovery in commodity prices would require a significant pick-up in global economic growth and demand, particularly in China.

Tin has the best fundamentals of all the LME non-ferrous metals and will, invariably, enjoy strong upside when the commodity cycle reverses its current trend. While there are reports of significant Myanmar tin production the market is still expected to be in a supply deficit situation in the coming years as a result of dwindling production from other major producing countries. While tin demand in electronics remains relatively stable the growth in tin applications in the chemical sector is extremely promising and spearheaded by energy related (storage, generation and conservation) applications.

While the world economy and commodity cycles are unpredictable and will take its own paths, the Group will continue to remain focused in its cost rationalization and optimization efforts for its core operating divisions to ensure that it remains profitable and sustainable through the current challenging market environment.

Chua Cheong Yong
Chief Executive Officer

23 March 2016

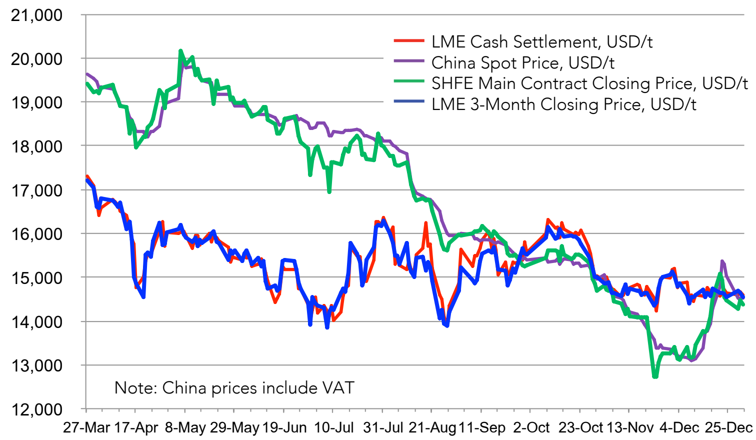
# TIN MARKET REVIEW AND OUTLOOK
(Source: ITRI)

The London Metal Exchange cash settlement price averaged USD16,057/ tonne in 2015, a fall of 27% on the previous year. The decline was part of a general picture of weakness in commodity markets, caused mainly by the strength of the US dollar and growing investor concerns about slowing global economic growth, particularly in China.

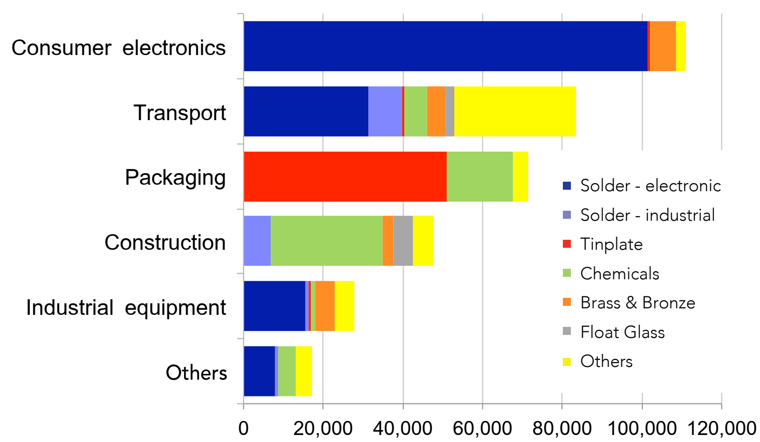
In the first half of last year tin was the worst performing of the major base metals traded on the LME, hitting six-year lows in June and July. However, the LME tin price was more stable than those of the other metals in the second half, partly due to some buying by investment funds, but more importantly because of falls in production in most parts of the world. While world refined tin consumption is estimated to have declined by some 3% in 2015, global production fell by 8%.

The price chart, which covers the period from the launch of tin futures trading on the Shanghai Futures Exchange (SHFE) at the end of last March to the end of the year, illustrates the over-supply of the Chinese market in 2015. Futures and physical spot prices continued falling until late November, moving from a large premium to a significant discount to the LME. Although Chinese prices rallied strongly in mid-December, these gains were already being eroded by the end of the year.

**China and LME prices**




**Global tin use by industry sector**




## BAD YEAR FOR CONSUMPTION

While global refined tin consumption grew at above its long-term trend rate of some 2% a year in 2013 and 2014, ITRI's latest survey of tin users, carried out in October-November, revealed a marked downturn in 2015. The dominant negative factor in 2015 was the slump in China's solder industry. Companies surveyed in this sector reported an average estimated decline in refined metal use of some 6%, but we believe that non-participating companies have suffered more, so estimate that aggregate refined tin use in solder in China declined by 10%. This estimated drop of more than 10,000 tonnes in volume terms accounts for almost 90% of the decline in world demand last year.

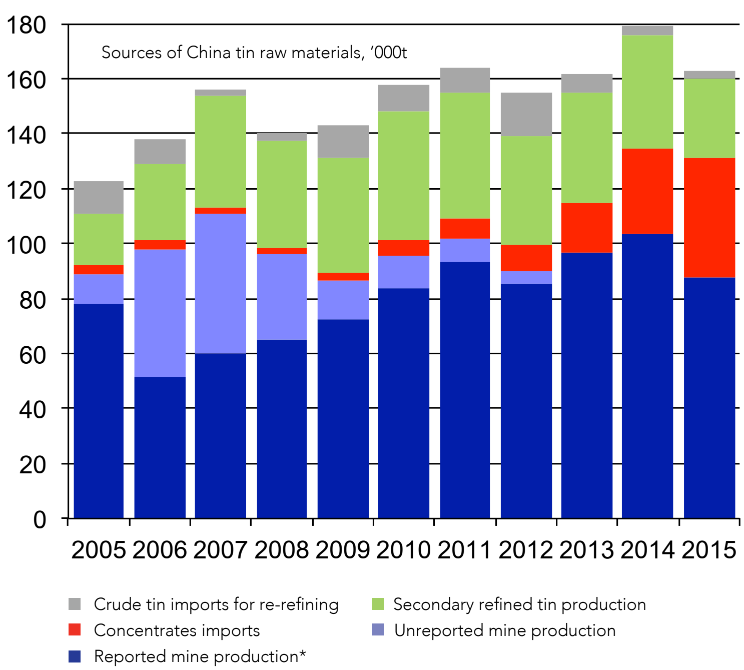
Outside China, companies taking part in the survey on average estimated that their tin usage would be stable or increase slightly. On balance they forecast further growth in 2016, notably in solder and chemicals. Tin chemicals have now overtaken tinplate as the second largest tin application. Improving solder sales outside China were also reported recently by the electronics component suppliers association IPC, probably reflecting a geographic shift in manufacturing away from China to lower cost centres elsewhere in Asia. Other positive features in the survey data are the recent rapid growth in tin use in lead-acid batteries, particularly in China, and a revival in wine and spirit bottle tin capsule sales in Europe. The longer-term growth potential for current and new applications, focussing on possible technology changes, is covered in later in this report.

| World Supply/Demand Balances in Refined Tin ('000 tonnes) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Forecast 2016 |
|---|---|---|---|---|---|---|---|---|
| World Refined Production | 339.7 | 354.6 | 354.3 | 334.7 | 340.1 | 369.1 | 339.7 | 329.3 |
| World Refined Consumption | 322.3 | 362.2 | 359.4 | 339.4 | 349.1 | 358.5 | 346.9 | 342.3 |
| **Global Market Balance** | **17.4** | **-7.6** | **-5.1** | **-4.7** | **-9.0** | **10.6** | **-7.2** | **-13.0** |
| **Reported stocks** | | | | | | | | |
| LME | 26.8 | 16.4 | 12.1 | 12.8 | 9.7 | 12.1 | 6.1 | 4.0 |
| Producers | 7.7 | 7.8 | 8.2 | 9.2 | 8.1 | 9.8 | 9.0 | 6.0 |
| Consumer/others | 11.6 | 11.1 | 9.6 | 10.7 | 10.9 | 11.2 | 11.2 | 10.0 |
| **Total** | **46.1** | **35.3** | **29.9** | **32.7** | **28.7** | **33.1** | **26.3** | **20.0** |
| *World Stock Ratio (weeks consumption)* | 7.4 | 5.1 | 4.3 | 5.0 | 4.3 | 4.8 | 3.9 | 3.0 |

## PRODUCTION CUTS IN CHINA

ITRI China estimates that China mine production fell by over 10% to some 93,000 tonnes in 2015. Most private mines in Yunnan have been closed and some of Yunnan Tin's high cost operations have also been shut down recently. The Southern Mines operations in Hunan, run by the third largest tin mining company in China, have also been closed since June because of environmental problems. As a result, Chinese smelters have continued to rely heavily on imported tin concentrates as raw material.

**Changing China raw material sources**




* Official mine production data has ceased to be published since 2013.

Data: ITRI, CRU,CNIA

**CHINA'S MONTHLY IMPORT OF TIN CONCENTRATES**

**38,150 TONNES**

**UP BY 32% Y-O-Y**

China imported a monthly record total of 38,150 tonnes tin concentrate (gross weight) in November, up by 32% year on year. Total imports in January to November were more than 247,000 tonnes, and estimated to contain around 40,000 tonnes tin. Most of this was from Myanmar. However, the increase in imported raw material supply does not offset the reduction of China mine production and local scrap supply, resulting in major production cuts by many custom smelters. Annual mine production is expected to fall below 90,000 tpy in the next few years. With Myanmar production expected to plateau at a little over 40,000 tpy, Chinese refined tin production should remain constrained, especially if prices fail to recover.

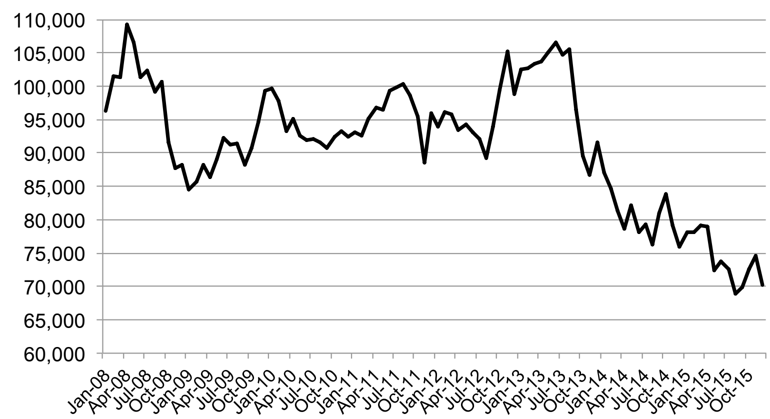
# TIN MARKET REVIEW AND OUTLOOK (cont'd)

## INDONESIAN SUPPLY SITUATION STILL UNCLEAR

A series of regulatory changes since 2013, in combination with falling prices, has resulted in Indonesian exports declining by a third in the last three years. We expect to see a slower but continuing downward trend in 2016 and following years. The first major change in export regulation came in September 2013, from which date all refined tin was required to meet higher quality standards and to be traded through the Indonesia Commodity and Derivatives Exchange (ICDX) prior to export. Some significant private smelters temporarily evaded the ICDX trading requirement by exporting tin for re-refining abroad in the form of solder wire or other tin products, but this loophole was closed from November 2014. Preliminary data released by the trade ministry in early January put 2015 shipments at 70,154 tonnes, down by 7.6% from the corresponding 2014 annual total of 75,925 tonnes. However the 2014 total included some 10,400 tonnes of solder and tin products, whereas this component was only around 80 tonnes in 2015.

The latest export regulation, dating from August 2015 but with some provisions being phased in between November 2015 and January 2016, seeks to further control supply mainly by involving the ministry of energy and mineral resources in greater scrutiny of mining leases and production plans. This should theoretically restrict purchases of ore from illegal small-scale miners if implemented strictly. Because these changes are so recent, it is not yet possible to gauge the impact on production in 2016 and beyond. Low tin prices are also squeezing producers, although the lower revenues are partially offset by the depreciation of the rupiah and falling fuel prices.

**Indonesian tin exports fall further**

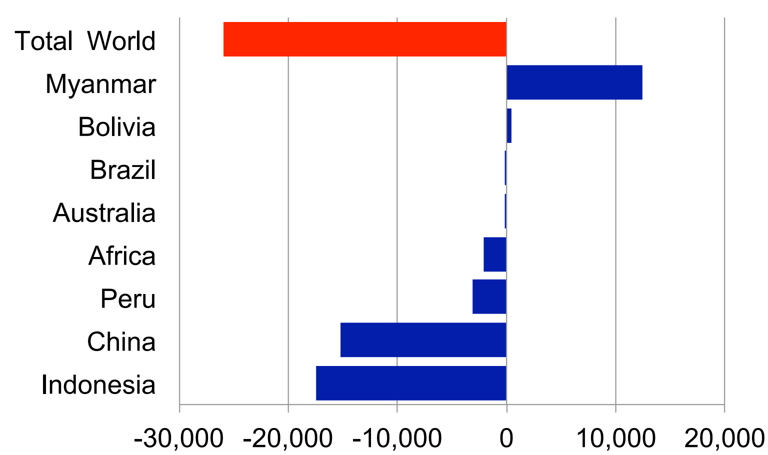



New export regulations from 1 July / 30 August 2013, November 2014, August 2015

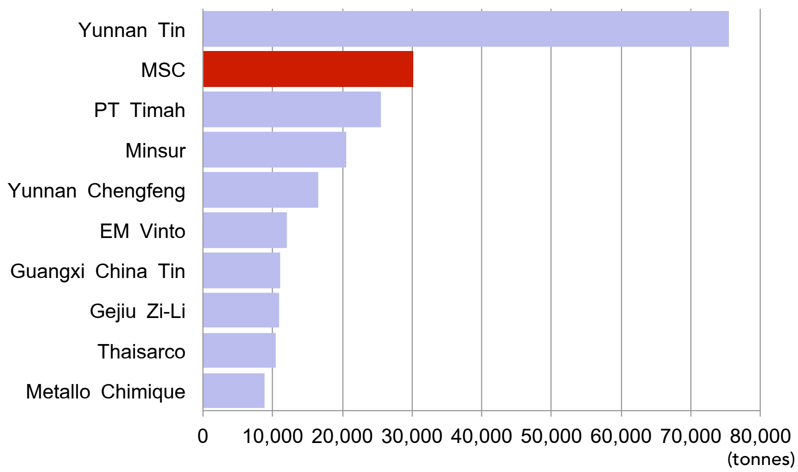
## ADVERSE MARKET CONDITIONS HIT PRODUCTION AND INVESTMENT

In 2015 mine production of tin fell in most major producing countries. While the biggest changes were in China and Indonesia, provisional data indicates that there were also declines in South America, Africa and Australia. In South America the most important factors were a decline in ore grades and reserve depletion at the San Rafael mine in Peru and power supply problems affecting the Pitinga mine, which accounts for over half of Brazilian production. Production by co-operatives in Brazil and Bolivia is also under pressure, although there has been a small increase from the two large state-owned mines in the latter country. Elsewhere low prices have had

**Changes in 2015 mine production (tonnes)**




**Top 10 refined tin producers in 2015**




a large negative impact on artisanal mining in central Africa while the growth in production at the Renison mine in Australia achieved in 2014 following substantial investment did not carry through into last year. Current low tin prices will affect future as well as current production, by resulting in big reductions in exploration and development activity. It is already almost impossible to see any significant new mine start-ups before 2018 and project timetables are likely to continue to slip as junior mining companies are starved of finance.

The world's supply constraints have also been seen in the 2015 refined tin production figures of the leading producers. 9 of the top 10 companies shown in the chart reported lower production last year, the only exception being the Bolivian state-controlled Vinto smelter, which has recently expanded its capacity. MSC remains in second place in the rankings. The Chinese smelters listed, including world number 1 YTC plus five smaller operations, collectively announced further production cuts in January 2016.

## MARKET OUTLOOK: GLOBAL GLOOM VERSUS TIN SUPPLY CONSTRAINTS

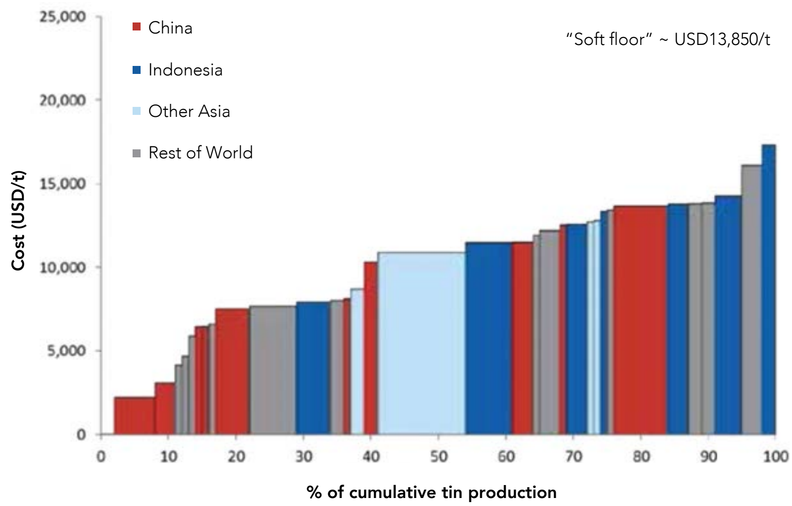
Economic, financial and political developments in the early days of 2016 do not encourage optimism. News stories have included the publication of weaker macro-economic data for the world's largest economies, further slumps in the Chinese stock markets and rising political tensions in the Middle East and Asia. There is therefore further downside risk for tin prices, which could potentially slip towards the lows last seen in the global financial crisis of 2008/9. In a situation of over-supply, the "floor price" at which production is likely to be cut to balance the market can be estimated by reference to operating costs, as shown in the chart on the right hand column. Typically analysts look at the price level which would make the highest cost 10% of world production unprofitable and therefore likely to be halted. However this is by no means a hard fact and prices could well fall below the level indicated, at least temporarily. Many of the costs are estimated and the shape of the supply curve can be altered significantly by changes in exchange rates, input costs (notably for fuel and power) and by-product revenues.

# TIN MARKET REVIEW AND OUTLOOK (cont'd)

It should also be noted that in other metals industries (eg nickel and aluminium) prices have already fallen to levels where the majority of producers are losing money.

On the other hand the positive feature for the tin price outlook is that production cuts do not appear to be required. Reported stocks are quite low and a supply shortfall of more than 10,000 tonnes already looks likely in 2016. This should become a significant factor at least in the second half of this year. There is therefore a good chance that any further deterioration in prices over the next few months should be followed by a recovery through the rest of the year.

**"Floor price" of marginal production**




2015 Cash production costs net of by-product revenues, USD/t contained tin (based on mid-December 2015 exchange rates and by-product prices)

| World Production and Consumption Of Refined Tin ('000 tonnes) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Forecast 2016 |
|---|---|---|---|---|---|---|---|---|
| **Production** | | | | | | | | |
| China | 140.6 | 155.0 | 160.0 | 152.0 | 158.1 | 175.0 | 162.0 | 154.0 |
| Indonesia* | 68.6 | 62.1 | 60.4 | 52.3 | 54.8 | 69.8 | 69.5 | 64.0 |
| Malaysia | 36.4 | 38.7 | 40.3 | 37.8 | 32.7 | 35.0 | 30.3 | 29.0 |
| Thailand | 19.3 | 23.5 | 23.9 | 22.8 | 23.0 | 17.1 | 10.6 | 11.0 |
| Bolivia | 15.0 | 15.0 | 14.5 | 14.3 | 14.9 | 15.4 | 15.5 | 18.0 |
| Brazil | 10.4 | 6.5 | 7.0 | 9.5 | 10.6 | 11.5 | 11.1 | 12.0 |
| Peru | 33.9 | 36.1 | 30.2 | 24.8 | 24.1 | 24.2 | 20.5 | 20.0 |
| Belgium | 8.7 | 9.9 | 10.0 | 11.4 | 10.3 | 9.8 | 8.9 | 9.5 |
| Poland | 0.6 | 0.6 | 0.8 | 1.4 | 2.0 | 2.2 | 2.1 | 2.3 |
| Russia | 1.0 | 1.5 | 0.7 | 0.9 | 0.6 | 0.2 | 0.2 | 0.5 |
| Other | 5.1 | 5.7 | 6.5 | 7.5 | 9.0 | 8.9 | 9.0 | 9.0 |
| **Total World** | **339.7** | **354.6** | **354.3** | **334.7** | **340.1** | **369.1** | **339.7** | **329.3** |
| **Consumption** | | | | | | | | |
| China | 133.4 | 151.1 | 156.7 | 149.7 | 156.4 | 163.5 | 150.6 | 146.9 |
| Japan | 27.2 | 31.1 | 28.7 | 27.3 | 27.0 | 26.5 | 26.0 | 25.5 |
| Other Asia | 56.2 | 62.8 | 56.8 | 55.0 | 57.3 | 58.1 | 59.4 | 61.0 |
| USA | 29.8 | 31.0 | 31.5 | 31.0 | 30.5 | 29.5 | 31.0 | 30.0 |
| Other Americas | 17.0 | 20.5 | 19.6 | 18.6 | 18.9 | 18.4 | 19.1 | 19.0 |
| Europe | 55.8 | 62.2 | 62.3 | 54.8 | 56.0 | 59.7 | 58.0 | 57.0 |
| Other | 2.9 | 3.5 | 3.8 | 3.0 | 3.0 | 2.8 | 2.8 | 2.9 |
| **Total World** | **322.3** | **362.2** | **359.4** | **339.4** | **349.1** | **358.5** | **346.9** | **342.3** |

** Indonesian production excludes metal re-refined in other countries*


## Opportunities and threats for existing uses

Tin is the 'spice' element with important technical properties that make it indispensable to everyday life in numerous ways that are not often realised. As solder it glues together the electronics that we take for granted, as chemicals it is a vital component in many of the plastics and glass products that are all around us and as tinplate it preserves food and other substances we need every day. Now entirely new technical properties are being discovered that will help meet future energy needs.

The use of electronics continues to grow. Wearable devices, robots and even drones are set to become part of our everyday life in the future. Travelling in a car will be a completely new and probably even driverless experience. The home too is becoming automated as the 'internet of things' and mobile apps take over routine controls and tasks such as heating, lighting, security and even shopping. In medicine, new sensors, remote control surgery and electronic implants will transform healthcare.

***The second largest market for tin, and the most positive outlook, is now tin chemicals.***

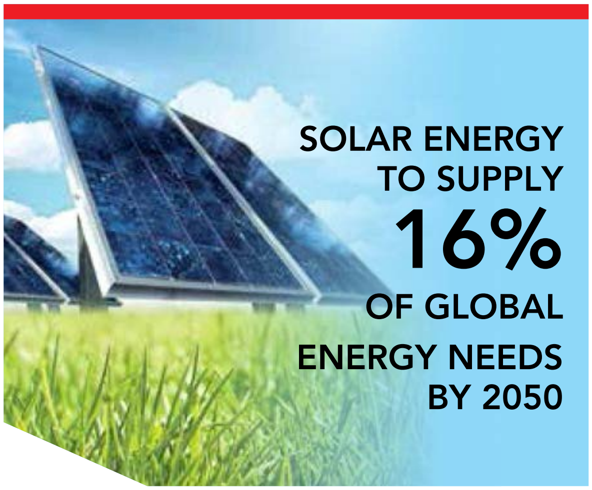
The countering threat to tin use is that solder joints themselves are shrinking. Miniaturisation has meant that solder use has lagged electronics market growth by around 25% over the last decade, representing about 40,000 tpy of lost tin. However, the vast majority of tin use in solder - 82% representing 144,000 tpa - is still in bar and wire products for larger joints, mainly in China, and this is likely to largely continue for the foreseeable future. Continued conversion to lead-free solder is also expected to compensate and will add around 20,000 tpy tin over the next decade.

The second largest market for tin, and the most positive outlook, is now tin chemicals. They are used extensively in strong growth markets for plastics such as PVC, polyurethane and silicone rubber as stabilisers and catalysts in SE Asia particularly. Tin is coated on glass and these markets are also growing. Tin-based fire retardants may have a new opportunity after pressures to replace antimony trioxide use seem to have recently re-emerged. There may also be new potential in use of tin sulphide as a solid lubricant additive to brake pads.

# TIN MARKET REVIEW AND OUTLOOK (cont'd)

Substitution is a key threat to chemicals uses, as some tin products are being phased out after new European REACH regulation and cheaper calcium-zinc alternatives become available. Overall however this has may not yet have affected markets outside Europe significantly and in fact tin is still replacing lead as a stabiliser in PVC pipes in China.

Tinplate technologists are also facing pressures from REACH and other regulations targeted at the coatings used inside food cans. European tinplate producers in particular are trying to find new ways to reduce or even eliminate tin use as they come under pressure to reduce costs and add value. Joint ventures are building new tinplate capacity in emerging economies such as Turkey, Belarus, Saudi Arabia and Brazil.




## Energy uses dominate R&D

Lead-acid batteries are a relatively new market for tin but set to become the fourth largest single use of tin over the next decade. Around 2% tin is added into battery grids and connectors, as well as in some electrolyte formulations. Rapid growth markets are in e-bikes, internet cloud storage backup, hybrid cars and alternative energy. Tin has particularly benefitted from a recent China policy to replace cadmium and antimony-based products with tin alternatives.

There is a large number of competing next generation battery technologies, but tin is most definitely growing in interest as a key component for lithium ion, sodium ion and magnesium ion batteries. The headline growth markets for lithium-ion are in hybrid and 'zero-emission' electric vehicles, where it still remains to be seen which technology will gain the upper hand. Household energy storage may be an entirely new market.

Solar energy is also set to be a major growth market, supplying around 16% of global energy needs by 2050. To meet this target cost-effectively and sustainably new generations of low-cost materials are being developed, including tin-related products such as copper-zinc-tin-sulphide (CZTS), ultra-cheap tin perovskite nanotechnologies or more complex dye-sensitised organic cells.

Thermoelectric materials that include tin can also generate electrical energy from waste heat. There have been recent headlines on a new tin selenide material, claimed to be the most efficient material to date. It will be some years yet before these markets come to fruition but it is clear that they offer significant opportunities to save energy.

The chemical properties of tin in combination with fuels and other organic materials are of increasing interest and it is likely that this will be an important new focus over the next decade. Tin is already a well-known catalyst for making or reforming organic compounds and is used as a biodiesel catalyst. Its particular chemistries make it very interesting for use in many of the several new fuel technologies now being developed, including fuel cells and hydrogen generation. As an alloy it can clean fuel to reduce harmful engine emissions. Tin is also a 'carbon capture' catalyst and could tackle climate change by converting carbon dioxide to fuel and other useful products. New forms of tin oxide have also been shown to use energy from sunlight to spilt water and make hydrogen.

Alongside these there are several much smaller but equally fascinating new developments in tin R&D today. Tin oxide and sulphide gas sensors are of growing interest, for example tin sulphide smart sensors may be used in smartphones to detect urban pollution. There is much excitement in medical circles about new research on tin anti-cancer drugs, with tin being hailed as the most significant breakthrough for several decades. New electronic materials such as germanium-tin for lasers have recently attracted attention for use in photonics where light beams will replace copper to transfer data much faster in the future. The highlight in this field has been the discovery of stannene – a single atomic layer of tin that is the only material to theoretically conduct electricity at 100% efficiency, with better performance than today's superstar material graphene.

How all of these developments will develop over the next decade remains to be seen, but it is clear that with so many different opportunities and such strong growth drivers tin will certainly have a key role to play in helping to meet our urgent future needs.

# DEVELOPING SUSTAINABLY

inspiring
**NEW INNOVATIONS**

empowering
**EMPLOYEES**

*In contributing to the viable progress of the industry and communities globally, we place equal emphasis on all entities of our operations. We are uncompromising in our commitment to ensure that the needs of all our stakeholders are well taken care of.*

enhancing
**SHAREHOLDER VALUE**

safeguarding
**COMMUNITIES**

# CORPORATE SOCIAL RESPONSIBILITY

Business is an integral part of the society and community in which it operates, contributing to and benefiting from it. Increasingly, to survive, sustain and prosper in today's world, companies have to adapt and accommodate to the changing expectations of the public of its business. In fact, most of the larger companies which are endowed with vast resources at their fingertips are already using their influence to create Corporate-Social-Responsibility (CSR) initiatives to make the world a better place to live in for current and future generations. CSR roles and initiatives are expected to, going forward, increasingly occupy more and more of business policy agenda.

Over the years, CSR has taken on many roles such as improving the workplace, community support and volunteer work, going green, purely philanthropic causes and more. But in recent times, it has evolved into creating sustainable growth for the company, which can be a combination of several CSR-related areas working together.

MSC Group's approach to CSR ties directly to our business objective of running a world-class integrated tin business in a sustainable way through quality operations. Our CSR initiatives align with this purpose and extend to our sustainable business operations, workplace, supply chain and communities.

The Group continues to firmly embrace the *Social Licence to Operate* (SLO) and *Environmental Licence to Operate* (ELO) concepts amongst our other CSR initiatives to ensure that the Group's actions leave a lasting and positive impression on our stakeholders that include our employees, customers, shareholders and communities. We are aware that our commitment and approach to social and environmental responsibilities are fundamental to our long term success as a resource company, therefore we seek to optimize our business value and build our stakeholders' trust as we look for new ways to enhance our competitiveness while minimizing our environmental footprint and creating benefits for communities.

A CSR initiative that MSC Group takes great pride in but not elaborated here is the Group's participation in the engagement and development of the ITRI Tin Supply Chain Initiative (iTSCi) scheme which enables export of conflict free minerals from Democratic Republic of Congo and its neighbouring countries. Details of our engagement are reported separately under the Conflict Free Smelter (CFS) Audit Report.

Under this CSR report, our initiatives are broadly organized around four key pillars: Local Communities, Human Resources, Safety and Health as well as Environmental Management.


## LOCAL COMMUNITIES

Community issues cover a broad range of activities, including community assistance programs; supporting educational needs; ensuring community health and safety; sponsorship; enabling employees to do voluntary work in the community; philanthropic giving.

In most areas where MSC Group operates, we seek to contribute to economic development, creating long-term benefits for local communities and for our business. Our mining subsidiary Rahman Hydraulic Tin (RHT) continues to be the main private sector donor to the sub-district of Pengkalan Hulu where the mine is operating, contributing generously towards religious, educational, recreational as well as welfare and social activities. The CSR project mentioned in the 2014 report on backfilling the site of a government housing scheme at Klian Intan has been successfully completed. Another project completed was the erosion protection of village land with installation of gabions on river banks just downstream of the river's exit from the mining lease.

## HUMAN RESOURCES

Human resource management continues to be a priority for the group to gain competitive edge in the tin mining industry. We greatly value the contributions of our employees and recognize that the Group's success depends on the capabilities and dedication of our employees in delivering results.

We foster a corporate culture that respects and stimulates diversity and create an environment where individual employees can realise their full potentials. The welfare of our employees is one of our key priorities. Significant resources are spent every year on the education and training of our employees. We continue to offer tools and resources to help employees succeed at work and in life in a number of leadership and professional development programmes at both management and employee levels.

During the year, the Butterworth smelter conducted numerous in-house training programs to upgrade the skills of its employees to enhance productivity level, and offered industrial training opportunities and subsidies for selected university students.

In terms of workforce diversity, RHT prides itself on the employment of 109 women, which is about 16% of its workforce represented in all job categories from unskilled up to managerial levels. RHT's gender ratio is both exceptional and commendable in the very challenging operating environment associated with the mining industry. The mine, as part of its succession planning, continued to develop the technical and communication skills of its employees, among them were 19 young engineers and geologists. RHT sponsored the employees for seminars and courses including English language course, as well as organised in-house technical and safety courses. In addition, the mine also provided industrial training in mining-related disciplines for students from local universities and other technical institutions.

***We foster a corporate culture that respects and stimulates diversity and create an environment where individual employees can realise their full potentials.***

## SAFETY AND HEALTH

Maintaining safe, reliable and sustainable operations is at the core of our business. We inculcate the culture of safety, health and environmental consciousness in all areas of operations within the Group and provide and maintain safe systems of work, make arrangements for ensuring the safe use, handling of equipment and substances as well as provide necessary information, instruction, training and supervision to all employees.

Our group wide occupational health and safety programme comprises:

- Training and education
- Work design, workplace design and standard work methods
- Changes to work methods and practices, including those associated with technological changes
- Safety rules including penalties
- Emergency procedures and drills
- Provision of Occupational Health and Safety equipment services and facilities
- Workplace inspections and evaluations
- Reporting and recording of incidents, accidents, injuries and illnesses
- Provision of information to employees

As in previous years, both RHT mine and Butterworth smelter continued to operate under strict compliance structures with regard to the safety, health, environmental and mining regulatory requirements.

Over in the mine pit of RHT mine, the safety measures adopted include maintaining stable pit slopes, having a large pit floor and adequate exit roads from the mine pit in case of emergencies whilst stable slopes were maintained at the tailing dam, tailing bunds and waste dumps. New safety features were added to haulage roads and mine pit roads aimed at preventing motor vehicle accidents.

# CORPORATE SOCIAL RESPONSIBILITY (cont'd)

Besides safety, the health of our employees is also important to us. We recognize that healthy employees are better able to do their jobs. Therefore, we are committed to working towards enhancing the quality of life of our employees and their families.

## ENVIRONMENTAL MANAGEMENT

MSC Group is constantly exploring and investing in important environmental projects and partnerships to reduce our environmental impact within the areas that we operate.

At RHT, the main environmental challenge is to ensure that the rivers meet regulatory water standards upon exiting the mining lease. This is effectively addressed by recycling of water in the tailing areas and discharging mine effluent into the rivers only during and just after heavy rainfall. In order to reduce acidity, seepages from the tailing areas and surface runoff from the waste dump are dosed with hydrated lime. The hydrated lime is dosed at the seepage points of tailing bunds, in the tailings ponds and in the rivers.

***"MSC seeks to translate its CSR's rhetoric into solid development goals and actions to ensure that its business is profitable, beneficial and sustainable to all it stakeholders"***

It is noteworthy that RHT is the first mine in the country to carry out a study concerning Erosion and Sediment Control Plan and the study's recommendations would be progressively implemented to practically stop erosion of land "disturbed" by mining.

The collaborative project between RHT and the Forest Research Institute of Malaysia (FRIM) on experimental reforestation has now entered its 4th year and the planted frontier Acacia Mangium trees and forest trees at both the 2.3-hectare waste dump site and 1.3-hectare tailing area site has shown satisfactory growth. Another experiment carried out in 2015 involved the planting of forest trees without frontier trees on a 0.4-hectare tailing area. The experimental project and strategic alliance with FRIM is expected to contribute towards the success of mine rehabilitation by reforestation of the ex - mining land at RHT.

The nursery established about 3 years ago located not far from the entrance to the mine has been a good source of plants used in the many rehabilitation, greening and landscaping works within the mine property. An old mine pond that is located adjacent to the nursery is now thriving with fishes. The fish pond and the landscaped areas around it have created a refreshing environment and have attracted praises from visitors to the mine.

At the smelting facility in Butterworth we continue to engage closely with DOE on the management of plume and smoke emissions. The successful implementation of the APC (Air Pollution Control) system at the smelter a few years ago has enabled the smelter to continue to comply with DOE regulations.

During 2015, the Group contributed RM18.9 million in the form of government taxes and royalties, incurred RM3.9 million in environmental management and rehabilitation and RM0.7 million in other CSR programmes.

## Corporate Social Responsibility (CSR) - Responsible mining and sourcing in Compliance with International Regulations and Best Practices

Malaysia Smelting Corporation Berhad ("MSC" or "the Company") is taking an anticipatory and proactive approach to ensuring responsible operations, during all phases, that prevent environmental pollution, respect human rights and mitigate any negative social impact. Responsible mining and sourcing needs to adhere to the precautionary principle, where reasonable decisions are taken on the understanding of hazards and associated "risk" potential when high standards of practice are followed. In MSC's viewpoint, metals are fundamental to our current existence, and are therefore needed to sustain life as we know it, that "mining" is fundamentally compatible with "sustainability".

MSC works internationally and is continually striving to open new projects worldwide. Therefore in order to comply with Corporate Social Responsibility (CSR), MSC believes that external supply chain needs to be addressed. This is where social engagement comes in which involves employees, customers, community, environment and shareholders. Through its involvement in the ITRI Tin Supply Chain Initiatives (iTSCi) and Conflict Free Smelter (CFS) programmes, MSC has actively integrated corporate social responsibility as part of the day-to-day business, engaging all stakeholders, and including strategies to support all players in the industry to be ethically responsible. This helps to relate the organisation's overall CSR policy and exert influence on its approach from the supply chain perspective. Nevertheless, this also ensures the sourcing strategy delivers what the organisation as a whole is aiming for and its commitments are practicable economically and sustainable within the existing policies.

MSC will continue to work with iTSCi on due diligence projects to enhance its credibility as one of the primary ITRI member purchasing minerals from the central African region. This is absolutely vital to its continuity and is a key contributor to its success. About 20 % of the tin produced is sourced from predominantly artisanal miners in Central Africa. Most of the feed materials sourced from Central Africa comes from Rwanda and from the southern Katanga Province of the DRC that is not within the recognized conflict areas of Eastern DRC. MSC's recent engagement with ITRI promotes a regulatory environment that is conducive to greater disclosure and transparency of conflict minerals in the supply chains. This offers an opportunity to engage with responsible supply chains and to support multi stakeholder effort and policy initiatives that aim to foster an environment of peace and stability in the Central Africa.

> *MSC CFS team working on annual CFS audit*

## 2015 Annual Due Diligence Report

With the continuous support from MSC, iTSCi is able to expand its scheme in Central Africa particularly in the non-conflict area of Katanga, and the continuation of activity in Rwanda. In recent years, MSC has actively promoted due diligence activities such as field visits, direct communication with suppliers and support other iTSCi programmes. From the business engagement perspective, MSC has invested in traceability programmes, partnership liaison with local companies in Central Africa and social programmes in mining areas. MSC will sustain the long term involvement in the central African mineral sector with a strong commitment to provide opportunities for current and future sustainable development of tin industry areas in the region. MSC's smelter in Butterworth had expanded to six furnaces. This was the first smelting capacity expansion in nearly 50 years of operations. The new furnace started operating in December 2014 and is expected to contribute an additional 15% to the smelter's overall capacity in the coming years. MSC will continue to be mindful of events in DRC.

MSC has taken a multiphase approach to carry out due diligence and chain of custody of conflict free minerals. For the calendar year 2015, Malaysia Smelting Corporation (MSC) had successfully completed the annual Conflict-Free Smelter audit and have been certified as a CFS compliant smelter. This is an endorsement that all feed materials sourced from the DRC and the adjoining countries were conflict free.

# CONFLICT FREE SMELTER (CFS) AUDIT REPORT (cont'd)


> *MSC supports China's engagement in responsible sourcing to combat conflict minerals*

> *MSC site validation visit at Mine-12 within Maniema province in DRC*

The next annual audit is scheduled in May 2016. MSC continues to play an active role in the CFS Programme to bring about further improvements in the auditing process and the technical content of the auditing reference documents. As a certified Conflict Free Smelter, MSC continues to exercise iTSCi due diligence programme to trace materials for Level 1 and Level 3 countries by reviewing the data provided from the ground assessment and monitoring which includes incident reports, governance assessment, company audit report, mine visit reports, and baseline reports. MSC has a number of dedicated senior staff with the necessary competence, knowledge and experience to oversee the supply chain due diligence process.

MSC participated in the 2015 International Workshop in China on Responsible Mineral Supply Chain which focused on the One Road One Belt Initiatives, a development strategy that was proposed by China on the connectivity and active multilateral engagement through the ancient Silk Road. The coverage of the Silk Road included Asia, Europe, Oceanic and East Africa. In order to create a cohesive economy in the belt region, the Asia Infrastructure Investment Bank was set up for the infrastructure projects.

MSC has taken a proactive role in international and industry-led initiatives to promote responsible and conflict free sourcing practices, by contributing practical solutions for supply chain due diligence within the context of an OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas ("OECD Guidance"). As the largest custom tin smelter and traditional tin player in Central Africa, MSC's involvement in the development of the OECD Guidance, as well as its commitment to implement it and share its experience, is noteworthy. MSC will continue to explore opportunities to build bridges between upstream players in the Great Lakes region and downstream users to enable CFS market access.

MSC staff have visited the Central African mines several times over the last year in order to understand the local context of information availability and the possible risks involved. During such visits, MSC staff conducted due diligence and directly observed and examined the types of documentation to draw reasonable conclusions on the country of origin of the minerals processed at the smelter.

MSC CEO is committed to making annual trips to Central Africa to assess whether suppliers have carried out all appropriate elements for conflict-free due diligence in compliance with corporate supply chain policy and CFSI protocols. MSC believes that engagement in Central Africa with suppliers, central or local governmental authorities, international organizations, civil society, and affected third parties will positively improve and track company's performance. MSC will therefore continue to sustain its vision to promote a comprehensive due diligence and best practise management strategy across the company's global supply chains.

> *MSC CEO verifying tag information with supplier and local government stafs in Katanga Province DRC*

The Board of Directors (the "Board") of Malaysia Smelting Corporation Berhad recognises the importance of maintaining high standards of corporate governance in managing its business affairs so as to build a sustainable business capable of enhancing shareholder value.

The Board upholds the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012" or the "Code"). This statement sets out how the Company has applied the 8 Principles of the MCCG 2012 during the financial year within Malaysia Smelting Corporation Berhad (the "Company") and its subsidiaries (the "Group"). Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof, is included in this statement.

**PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT**

The Board acknowledges its key role in setting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- to review and adopt a strategic plan for the Group to ensure sustainability of its business as the Board brings objectivity and breadth of judgment;
- to oversee the conduct of the Group's businesses and evaluate whether the businesses are being properly managed;
- to identify principal business risks and ensure the implementation of appropriate internal controls and mitigating measures to manage these risks;
- to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of Senior Management;
- to develop and implement a shareholder communications policy for the Company; and
- to review the adequacy and the integrity of the Group's internal control system and management information system.

To ensure the proper discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee and further entrusted to them, specific responsibilities to oversee the Group's affairs and authority to act on the Board's behalf in accordance with their respective terms of reference. The Chairman of the relevant Board Committees also report to the Board on key issues deliberated at their respective meetings. The ultimate responsibility for decision making, however, lies with the Board.

***Board Charter***

The roles and functions of the Board, which includes the Executive Director and Non-Executive Directors, as well as roles delegated to Management, are clearly delineated in the Board Charter. This is taken into account through a formal schedule of matters reserved for the Board which includes setting the overall Group strategy and direction, approving major capital expenditure, consideration of significant financial matters and monitoring of financial and operating performance of the Group. Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. Such demarcation of roles is clearly set out in the Board Charter which complements and reinforces the supervisory role of the Board.

The salient features of the Board Charter can be found at the Company's website at www.msmelt.com.

***Code of Ethics and Whistle-blowing Policy***

The Group's Code of Ethics continues to set out the standards of ethics and conduct expected from its Directors and employees to enhance the standards of corporate governance and corporate behaviour. The Code of Ethics covers all aspects of the Group's business which include, amongst others, confidentiality of information, dealings in securities, conflict of interest, gifts, bribes and dishonest conducts.

The Company had put in place a whistle-blowing policy which allows the whistle-blower to raise concerns about actual or potential corporate fraud or breach of ethics involving employees, Senior Management or Directors of the Group. Whistle-blowing reports are addressed to Designated Officers of the Company, its Chief Operating Officer ("COO") or the Chairman of the Audit Committee following the form and specific conditions as prescribed under the policy. The policy also affirms that the identity of the whistle-blower will be kept confidential and protection will be accorded to the whistle-blower against any form of reprisal or retribution.

## PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

***Code of Ethics and Whistle-blowing Policy (cont'd)***

The Board recognises the importance of adhering to the Code of Ethics by all personnel in the Group and has the overall responsibility of overseeing the execution of the whistle-blowing policy.

A summary of the Code of Ethics has been made available on the Company's website at www.msmelt.com.

***Sustainability of Business***

The Board is mindful of the importance of business sustainability and has incorporated the Corporate Sustainability Policy into its corporate strategy, considering its impacts on environmental, social and governance aspects. Additionally, the Company's activities on corporate social responsibilities are disclosed on pages 32 to 36 of this Annual Report.

***Supply of, and Access to, Information***

The Board has full and independent access to Management, the Company Secretary, the Internal Auditors, the External Auditors and other consultants for information needed to effectively carry out its duties.

Management provides the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments.

Directors also have unrestricted access to the advice and services of the Company Secretary. The Board is regularly updated and advised by a Company Secretary who is qualified, experienced and competent on new statutory and regulatory requirements, and their resultant implications to the Company and Directors in relation to the duties and responsibilities of the Board. The Company Secretary, who oversees adherence to board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committee meetings to ensure that the meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The appointment and removal of the Company Secretary, if any, is a matter for the Board, as a whole, to decide.

Senior Management and external parties such as the auditors, solicitors and consultants are invited to attend Board meetings when there is a need for additional insights and professional views, advice and explanations on specific items on the meeting agenda. Independent professional advice may be sought in the furtherance of the Directors' duties and responsibilities at the Company's expense, if considered necessary, in accordance with established procedures set out in the Board Charter.

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests. Board and Board Committee papers are circulated in advance prior to the meetings to allow the Board members adequate time for making informed decisions and effective discharge of Board's responsibilities.

## PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD

As at the date of this Statement, the Board comprises six (6) members, all Non-Executive Directors, three (3) of whom are Independent. This composition fulfills the requirements set out under the Bursa's Main Market Listing Requirements, which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out on pages 12 to 14 of this Annual Report.

## PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

***Nominating Committee***

**Selection and Assessment of Directors**

During the financial year under review, the members of the Nominating Committee, which comprise wholly of Non-Executive Directors, with a majority being Independent, are as follows:

| Director | Number of meetings attended |
|---|---|
| Mr Chew Kwee San (Chairman of the Committee)<br>Non-Independent Non-Executive Director | 2 of 2 |
| Dato' Ng Jui Sia<br>Senior Independent Non-Executive Director | 2 of 2 |
| En Razman Ariffin<br>Independent Non-Executive Director<br>(Ceased to be a member of the Committee on 23 March 2016) | 2 of 2 |

The Nominating Committee is empowered by the Board through clearly defined terms of reference to oversee the assessment of Directors, nominate to the Board the candidature of Directors, appointing Directors to Board Committees and to review the Board's succession plans and training programmes.

**Appointments and Annual Assessment Processes**

In discharging its responsibilities, the Nominating Committee has developed certain criteria for use in the recruitment and annual assessment of Directors. The suitability of candidates is evaluated for recommendation to the Board and the Nominating Committee takes into consideration, inter-alia, the competency, commitment (including time commitment), contribution and performance of the candidates, including, where appropriate, the criteria on assessing the independence of candidates' appointments as Independent Non-Executive Directors. In 2015, only one new director, Ms Maggie Yeo Sock Koon, was appointed as a Non-Independent Non-Executive Director of the Company. The Board, as a whole, met with Ms Yeo prior to the appointment.

Following the appointment of a new Director, the Committee ensures that an induction programme is arranged for, which includes establishing rapport with other Directors, furnishing the Director with necessary information for a better understanding of the business, e.g. Board minutes and management reports, the Board Charter and arranging visits to key sites.

The Committee reviews annually the required mix of skills and experience for Directors and assesses annually the contributions of each individual Director and the effectiveness of the Board Committees and the Board as a whole. Furthermore, the Nominating Committee reviews the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board. Insofar as Board diversity is concerned, the Board does not have a specific policy on setting targets for women candidates. The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. Nevertheless, the Board takes cognizance of the policy of the Government advocating for more women directors on the Board of PLCs, and shall give due considerations when assessing their candidature. Presently, there are two (2) women directors which forms one-third of the Board.

**Re-election/Re-appointment**

The Company's Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM"). The Directors to retire in each year are those who have been longest in office since their appointment or reappointment. All Directors are required to submit themselves for re-election at regular intervals and at least every three (3) years.

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

## PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

### Directors' Training

The Board, via the Nominating Committee, ensures that a structured orientation and continuous education programme is in place for new and existing members of the Board. The programme includes, amongst others, briefings and updates on the organizational structure, salient matters covered under the Board Charter, key strategic, operational, financial and compliance aspects of the Group, the Group's performance management system, informal discussions with members of the Board and scheduled site visits. This is geared towards ensuring that all Directors are familiar with and are able to appreciate the Group's operating environment and business dynamics to enable them to contribute effectively during Board deliberations.

All directors had completed the Mandatory Accreditation Programme under the auspices of Bursa Malaysia in 2015. During the financial year under review, the Directors identified and attended appropriate briefings, seminars, conferences and courses to keep abreast of changes in legislations and regulations affecting the Group.

The Company Secretary circulates the relevant guidelines on statutory and regulatory requirements as and when there are changes for the Board's reference. The External Auditor also briefs the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

### Activities of the Nominating Committee

During the financial year under review, two (2) Committee meetings were held and attended by all its members. One of the meetings deliberated assessments of the Board, committees and individual directors, considered re-election/ re-appointments to be made at the AGM as well as review of the composition of the various committees in light of retirement of a director and new appointment to the Board. The assessment of director, was led by the Senior Independent Director who was supported by the Company Secretary. Directors individually completed a questionnaire regarding the effectiveness of the Board as a whole and own performance. The assessment and comments by all Directors were summarised and discussed at the Nominating Committee meeting. The results of the assessment were used to indicate potential trainings to be provided in the future for enhancement of the Nominating Committee. Another meeting was held specifically to deliberate on succession planning matters.

The programmes attended by the Directors during the financial year ended 31 December 2015 include the following:

| | Date | Organiser | Title of the Programme |
|---|---|---|---|
| Dato' Ng Jui Sia | 14 May 2015 | ASEAN Business Club (ABC) and CIMB ASEAN Research Institute | 3rd Annual ASEAN Business Club Forum 2015 – Road to ASEAN Integration |
| | 13 August 2015 | F&NHB & Cocoaland | Directors' Continuing Education Programme 2015 |
| | 2 October 2015 | Singapore Institute of Directors | Strategic Innovation – The Director's Role in Implementing an Innovation Strategy |
| | 14 October 2015 | Singapore Institute of Directors | Noble Group – The Saga and its Lesson |
| | 23-25 November 2015 | Marcus Evans | The Boardroom Agenda |
| Mr Chew Kwee San | 7 January 2015 | Singapore Institute of Directors | ACRA-SGX-SID Audit Committee Seminar – Preparing for 2015 |
| | 18-20 May 2015 | International Tin Research Institute | China International Tin Forum 2015 |
| | 25 June 2015 | | Staying Ahead of the Curve in Cyber Security |

**PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)**

**Activities of the Nominating Committee (cont'd)**

| | Date | Organiser | Title of the Programme |
|---|---|---|---|
| Ms Maggie Yeo Sock Koon | 14 April 2015 | UOB | Economic Outlook 2015: The Year of Cheap Money & Oil |
| | 9 June 2015 | HR Business | HRBS: 2015 Directors' Remuneration Summit |
| | 25 June 2015 | Questex Media | CFO Breakfast Roundtable Masters of the Deal: Successful M&A Strategies |
| | 1 July 2015 | Ernst & Young | EY Seminar: Transfer Pricing Breakfast Seminar |
| | 10 July 2015 | DBS | DBS Aisan Insights Conference 2015 |
| | 22 July 2015 | JP Morgan | J.P. Morgan Global Markets: Managing Risk and Business Cost under the New Regulatory Framework |
| | 9 September 2015 | Standard Chartered | Asia Risk Conference |
| | 23 September 2015 | Ernst & Young | FRS Training – FRS Updates 2015 |
| | 7-8 October 2015 | Bursatra Sdn Bhd | Mandatory Accreditation Programme for Directors of PLCs |
| | 12 October 2015 | SIAS | Global Corporate Governance Forum |
| | 23-25 November 2015 | Marcus Evans | The Boardroom Agenda |
| En Razman Ariffin | 15 May 2015 | Allen & Gledhill | Regulatory Update: Changes to Companies Act |
| | 18-20 May 2015 | International Tin Research Institute | China International Tin Forum 2015 |
| | 14 August 2015 | Ernst & Young | Key Audit Matters Reporting |
| | 7-8 October 2015 | Tin Industry (R&D) Board Malaysia & ITRI Limited (UK) | International Tin Chemical and Solder Conference and Exhibition (ITCSE) |
| | 25-28 October 2015 | Tantalum-Niobium International (T.I.C) Study Center | Tantalum-Niobium General Assembly & Technical Conference |
| Mr Chew Hoy Ping | 18-20 May 2015 | International Tin Research Institute | China International Tin Forum 2015 |
| | 25-28 October 2015 | Tantalum-Niobium International (T.I.C) Study Center | Tantalum-Niobium General Assembly & Technical Conference |
| | 2 November 2015 | Bursa Malaysia | Future of Auditor Reporting: The Game Changer for Boardroom |
| | 24 November 2015 | Malaysian Institute of Accountants (MIA) | Changing Scope of Capital Market Regulations |
| | 26 November 2015 | Bursa Malaysia | Boards Rewards & Recognition |

## PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

**Activities of the Nominating Committee (cont'd)**

| | Date | Organiser | Title of the Programme |
|---|---|---|---|
| Ms Gee Siew Yoong | 21-22 January 2015 | Boardroom Corporate Services (KL) Sdn Bhd | – Risk Management and Crisis Management<br>– Whistleblowing and Cyber Fraud<br>– Common Mistakes Made by Directors, Boardroom Effectiveness<br>– Accountability and Challenges in relation to Financial Reporting |
| | 10-11 June 2015 | Asian World Summit Sdn Bhd | Board Risk Intelligence 2015 |
| | 20 August 2015 | TM/Prime Minister's Department | Visit from YB Senator Dato' Sri Abdul Wahid Omar: Dialogue with Telekom Malaysia Berhad |
| | 9 September 2015 | Bursa Malaysia Berhad | CG Breakfast Series – "How to Maximise Internal Audit" |
| | 3-4 November 2015 | The Malaysian Directors Academy (MINDA) | – Companies Act – Updates under the Companies Bill 2015<br>– Six Sigma<br>– Innovation Strategy<br>– Fraud, Corruption, Money Laundering<br>– Strategy & Risk Management – Blue Ocean Strategy. |
| | 26 November 2015 | Telekom Malaysia Berhad | 3rd Engagement Session between MSWG and TM Board: Assessment for the Malaysian-Asean Corporate Governance Scorecard (CG) 2015 - CG, Best Practices & Sustainability |
| | 4 December 2015 | Sapura Kencana | Production Sharing & Contract Accounting |

The Board, through the Nominating Committee's annual appraisal process, believes that it possesses the required mix of skills, experience and other qualities, including core competencies which enable it to discharge its duties in an effective manner.

All assessments and evaluations carried out by the Nominating Committee in discharging its duties are documented in the minutes of meeting.

**Remuneration Committee – Directors' Remuneration**

The Remuneration Committee is responsible for recommending the remuneration framework and packages for the Senior Management staff to the Board. Directors' remuneration are aligned with the business strategy and long-term objectives of the Company, so as to ensure that rewards are linked to their performance and contributions to the Group's growth and profitability in order to attract, retain and motivate the Company's Directors.

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

| Director | Number of meetings attended |
|---|---|
| En Razman Ariffin (Chairman of the Committee)<br>Independent Non-Executive Director<br>(Ceased to be a member of the Committee on 23 March 2016) | 2 of 2 |
| Mr Chew Kwee San<br>Non-Independent Non-Executive Director | 2 of 2 |
| Ms Gee Siew Yoong<br>Independent Non-Executive Director<br>(Appointed as a member of the Committee on 17 March 2015 and ceased to be a member of the Committee on 18 March 2016) | 2 of 2 |
| Dato' Seri Mohd Ajib Anuar<br>Non-Independent Non-Executive Director<br>(Ceased to be a member of the Committee on 27 April, 2015) | 1 of 1 |

## PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

**Remuneration Committee – Directors' Remuneration (cont'd)**

The determination of remuneration of Non-Executive Directors is a matter for the Board, as a whole to decide, with individual Directors abstaining from the discussion of his/her own remuneration. In deciding on the appropriate level of fees for each Non-Executive Director, the Board takes into consideration, the experience, the level of responsibilities undertaken, time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers as well as the number of memberships assumed on Board Committees. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are also considered when determining the remuneration packages for Directors.

The Company's Articles of Association provide that any payment of Directors' fees should be approved at a general meeting. During the financial year under review, two (2) Committee meetings were held and attended by all its members. The fees of Directors of the Company is tabled for shareholders' approval at the Company's AGM.

Details of remuneration of Directors of the Company from the Group for the financial year ended 31 December 2014 but paid out in 2015 were as follows:

A total of RM550,000 in directors' fee was paid in 2015 as directors remuneration for the financial year ended 31 December 2014, subsequent to the AGM held on 27 April 2015. The number of Directors and their remuneration categorized within the respective bands were as follows:

| | Non-Executive |
|---|---|
| RM 50,000 and below | 5 |
| RM50,001 – RM100,000 | 3 |
| RM100,000 – RM150,000 | – |
| Above RM150,000 | 1 |
| Total | 9 |

## PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

There is a clear division of responsibilities between the Chairman and the CEO to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making.

***Chairman***

En Razman Ariffin, an Independent Non-Executive director, was the Chairman of the Company throughout 2015 and he lead the Board to ensure the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. En Razman Ariffin ceased to be the member of the Board on 23 March 2016 and Dato' Ng Jui Sia took over the chair of the Company on even date.

***Chief Executive Officer ("CEO")***

Mr Chua Cheong Yong as the CEO is tasked to manage the business and operations of the Company and to implement the Group's strategic plans, policies and decisions adopted by the Board. The CEO is also tasked with ensuring that whilst the ultimate objective is maximizing total shareholders' return, social and environmental factors are not neglected and also developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts as well as employees and providing effective leadership to the Group organization.

## PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)

***Independent Non-Executive Directors***

The Independent Non-Executive Directors bring objective and independent views, advice and judgment on interests, not only of the Group, but also of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

The Board recognizes the importance of independence and objectivity in the decision making process and is required by the Directors' independence policy to undertake an assessment of its independent directors annually. The tenure of an independent director is also capped at a cumulative term of nine (9) years where the director may continue to serve the Board in the capacity of a non-independent director or to obtain shareholders' approval for retention as an independent director.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors upon their appointment and upon self disclosure of a change to their status as and when new interests/relationships developed. The criteria applied in the assessments were developed by the Nominating Committee and adapted from definitions from Paragraph 1.01 of Bursa's Main Market Listing Requirements, the Companies Act 1965 and the MCCG 2012.

## PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

The Board meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedules for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers are prepared by Management to provide relevant facts and analysis for the convenience of Directors. The agenda, relevant reports and Board papers are furnished to the Directors and Board Committee members in advance to allow for sufficient time for Directors to promote effective discussions and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee informs the Directors at each Board meeting of any salient matters noted which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

It is the policy of the Company for Directors to devote sufficient time and effort in carrying out their responsibilities. Among other ways of ensuring such are obtaining the Director's commitment upon appointment, mandating the Directors to submit an update on their other directorships and shareholdings as and when they accept appointments and requiring all Directors to attend at least half of the meetings held for the financial year under review.

During the financial year under review, nine (9) Board meetings were held and details of Directors' attendance are as follows:

| Directors | Number of meetings attended |
|---|---|
| Dato' Ng Jui Sia (Appointed as Chairman of the board on 23 March 2016) | 7 of 9 |
| Mr Chew Kwee San (Deputy Chairman of the Board) | 9 of 9 |
| Ms Maggie Yeo Sock Koon (Appointed as a board member on 17 March 2015) | 8 of 8 |
| En Razman Ariffin (Ceased to be a member of the Board on 23 March 2016) | 9 of 9 |
| Mr Chew Hoy Ping (Ceased to be a member of the Board on 23 March 2016) | 9 of 9 |
| Ms Gee Siew Yoong (Resigned as a board member on 18 March 2016) | 9 of 9 |
| Dato' Seri Mohd Ajib Anuar (Retired on 27 April 2015) | 4 of 4 |
| Ms Thai Kum Foon (Resigned as a member on 17 March 2015) | 1 of 1 |

The Board is satisfied with the level of time commitment given by the Directors in fulfilling their roles and responsibilities.

## PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects. This is primarily communicated through the annual financial statements and quarterly announcement of results to Bursa Malaysia ("Bursa") and the Singapore Exchange ("SGX"). Accordingly, it is also addressed in the Statement by the Chairman and review of operations in the Annual Report.

The Directors also have a responsibility under the Companies Act, 1965 to have in place a system of internal control that will provide reasonable assurance that:

- assets of the Company are safeguarded against loss from unauthorised use or disposition; and
- all transactions are properly authorised and that they are recorded as necessary to enable the preparation of true and fair financial statements and to give a proper account of the assets.

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

The Board is assisted by the Audit Committee in its oversight of the Group's financial reporting process and the quality of its financial reporting. The Audit Committee, comprising wholly Non-Executive Directors, with a majority being Independent directors, ensures that the financial statements of the Group and Company comply with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The composition of the Committee, including its roles and responsibilities, are set out on pages 47 to 49 of this Annual Report.

The Audit Committee members meet on a quarterly basis to review the integrity and reliability of the Group's financial statements in the presence of both External and Internal Auditors, prior to recommending them for the Board's approval and issuance to stakeholders. Such financial statements comprise the quarterly financial reports announced to Bursa and the annual statutory financial statements. During the year, the Audit Committee met the External Auditors separately two (2) times, without the presence of the Management, in order to have unfettered access to any information it may require to fulfill its responsibilities.

The Board, via the Audit Committee, has formalised policies and procedures to assess the suitability and independence of the External Auditors. Such policies and procedures entail the provision of written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the code of ethics on independence set out by the Malaysian Institute of Accountants. The policies also set out the types of non-audit services that may be provided by the External Auditors, including the thresholds and procedures that need to be observed should the External Auditors be contracted to provide the non-audit services. It is also a mandatory requirement for our External Auditors, Messrs Ernst & Young to rotate the audit engagement partner as well as its other key audit partners from their audit of MSC and its subsidiaries once in every 5 years as set out in the Malaysian Institute of Accountants' By-Laws (on Professional Ethics, Conduct and Practice).

In this regard, the Audit Committee had assessed the independence of Messrs Ernst & Young as External Auditors of the Company as well as reviewed the level of non-audit services to be rendered by Messrs Ernst & Young to the Company for the financial year ended 31 December 2015. Having satisfied itself with their technical competency, audit independence and fulfillment of criteria as set out in the policy, the Audit Committee recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

## PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

Recognising the importance of risk management, the Board has in past years formalised a structured Enterprise Risk Management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis. The key features of the Enterprise Risk Management framework are set out in the Statement on Risk Management and Internal Control of the Group set out on pages 54 to 56 of this Annual Report.

In line with the MCCG 2012 and the Bursa's Main Market Listing Requirements, the Board has an independent Internal Audit function which is led by the Group General Manager, Internal Audit who reports directly to the Audit Committee. Details of the Company's internal control system and its framework including the scope of work during the financial year under review are provided in the Statement on Risk Management and Internal Control Statement of the Group set out on pages 54 to 56 of this Annual Report.

## PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the need for comprehensive, timely and accurate disclosures of all material Company information to the public so as to ensure a credible and responsible market in which market participants conduct themselves with the highest standards of due diligence and investors have access to timely and accurate information to facilitate the evaluation of securities.

The Board has formalised internal corporate disclosure policies and procedures not only to comply with the disclosure requirements as stipulated in the Bursa's Main Market Listing Requirements, but also in setting out the protocols for disclosing material information to shareholders and stakeholders.

To ensure thorough public dissemination, the Company has leveraged on information technology including making announcements via Bursa and SGX and establishing a dedicated section for corporate information on the Company's website where information on the Company's announcements, financial information, stock information, and the Company's quarterly and annual reports may be accessed.

## PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

***Shareholder Participation at General Meeting***

The AGM, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's annual report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating on resolutions being proposed or on the Group's operations in general. During the last AGM, a question & answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

The Company dispatches its notice of AGM to shareholders at least twenty one (21) days before the date of the meeting to enable shareholders to go through the annual report and papers supporting the resolutions proposed. Shareholders are invited to ask questions regarding the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All the resolutions set out in the Notice of the 36th AGM were put to vote by show of hands and were duly passed. The outcome of the AGM was announced to Bursa on the same meeting day. The Board shall ensure that poll voting is conducted for any related party transactions that fall under the definition provided in Paragraph 10.08 of Bursa's Main Market Listing Requirements. The Board may also consider poll voting for other substantive resolutions, being resolutions for which circulars have been issued to shareholders as well as disclosing detailed results showing the number of votes cast for and against each resolution.

***Communication and Engagement with Shareholders***

The Company recognises the importance of being transparent and accountable to its investors and, as such, has maintained an active and constructive communication policy that enables the Board and Management to communicate effectively with investors, financial community and the public generally. The various channels of communications are through the quarterly announcements on financial results to Bursa and the SGX, relevant announcements and circulars, when necessary, AGM and through the Group's website at www.msmelt.com where shareholders can access corporate information, annual reports, press releases, financial information, company announcements, share prices and social responsibility reporting.

This Statement is issued in accordance with a resolution of the Board dated 23 March 2016.

**Terms of Reference**

**1. Objectives**

The primary function of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") in fulfilling the following oversight objectives on the activities of the Group:

- Assess the Group's processes relating to its governance, risk and control environment;
- Oversee financial reporting; and
- Evaluate the internal and external audit processes, including issues relating to the system of internal control, risk management and governance within the Group.

The authority, functions and duties of the Committee shall be extended to Malaysia Smelting Corporation Berhad (the "Company") and its subsidiary companies (the "Group").

**2. Composition**

The Board shall elect and appoint a Committee comprising at least three (3) Directors. All members of the Committee shall be Non-Executive Directors, with a majority independent. All members of the Committee shall be financially literate.

The Board shall at all times ensure that at least one (1) member of the Committee:

- must be a member of the Malaysian Institute of Accountants ("MIA"); or
- if not a member of the MIA, the person must have at least three (3) years of working experience and:
  - the person must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
  - the person must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- must have at least three (3) years' post qualification experience in accounting or finance:
  - has a degree/ masters/ doctorate in accounting or finance; or
  - is a member of one (1) of the professional accountancy organisations which has been admitted as a full member of the International Federation of Accountants; or
- must have at least seven (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; or
- fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

If a member of the Committee resigns, passes away 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 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.

The Board shall review the terms of office and performance of the Committee and each of its members at least once (1) every three (3) years to determine whether the Committee and members have carried out their duties in accordance with their terms of reference.

**3. Quorum and Committee's Procedures**

Meetings shall be conducted at least four (4) times annually, with each meeting planned to coincide with key dates in the Group's financial reporting cycle, or more frequently as circumstances dictate.

The Chairman of the Committee shall engage continuously with Senior Management, such as the Chief Executive Officer, Group Chief Financial Officer, Group General Manager, Internal Audit and the External Auditors in order to be kept informed of matters affecting the Group in a timely manner.

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.

**3. Quorum and Committee's Procedures (cont'd)**

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to members of the Committee. The Secretary shall be entrusted to record all proceedings and minutes of all meetings of the Committee and the circulation of the minutes to all Board members at each Board meeting.

The Chief Executive Officer, Group Chief Financial Officer, Group Chief Operating Officer, the Head of Internal Audit and representatives of the External Auditors shall attend meetings upon invitation of the Committee. The Committee may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.

The Committee shall meet at least twice (2) a year with the External Auditors without the presence of any executive Board member. In addition, Management, the Internal Auditors and the External Auditors may request for a private session with the Committee to discuss any matter of concern. Other Board members and employees may attend meetings upon the Committee's invitation.

**4. Authority**

The Committee is authorised to investigate any matters within its Terms of Reference and all employees are directed to cooperate with any requests made by the Committee.

The Committee shall have full and unrestricted access to any information pertaining to the Group. The Committee shall have direct communication channels with the Internal and External Auditors and shall be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees, whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional or other advice 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 Malaysia, the Committee shall promptly report such matter to Bursa Malaysia.

**5. Responsibilities and duties**

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

A. Risk Management

- Review and evaluate the adequacy and effectiveness of risk management system instituted within the Group.

B. Internal Audit

- Review the adequacy of the internal audit scope, functions, competency and resources of the Internal Audit function and that it has the necessary authority to carry out its work;
- Review the internal audit programmes, processes, and reports to evaluate the findings of internal audit and to ensure that appropriate and prompt remedial action is taken by Management on the recommendations of the Internal Audit function;
- Review the adequacy and integrity, including effectiveness, of internal control systems, management information system, and the Internal Auditor's and/ or External Auditor's evaluation of the said systems;
- Review the Internal Audit Charter, budget and staffing of the Internal Audit function; and
- Review the performance of Internal Auditors, who will report functionally to the Committee, on an annual basis.
- Approve any appointment or termination of senior members of the Internal Audit function and take cognisance of resignations and providing the resigning members an opportunity to submit reasons for resigning.

**5. Responsibilities and duties (cont'd)**

C. External Audit

- Recommend the nomination of a person or persons as External Auditors;
- 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 with the External Auditors, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the independence, suitability 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 non-audit services provided to the Company for the financial year, including the nature of the non-audit services, fee levels of the non-audit services - individually and in aggregate relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
- Develop and review for recommendation to the Board, the Company's policy in relation to the provision of non-audit services by the external auditors, which amongst others, takes into consideration:
    - whether the skills and experience of the audit firm makes it a suitable service provider for non-audit services;
    - whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity or independence in the conduct of the audit resulting from non-audit services provided by the external auditors; and
    - the nature of the non-audit services, the related fee levels individually and in aggregate relative to the external audit fees of the Company.

D. Audit Reports

- Review the external and internal audit reports with the External and Internal Auditors to ensure that appropriate and prompt remedial actions are taken by Management on major deficiencies in controls or procedures that are identified; and
- Review major audit findings and Management's response during the financial year with Management, External Auditors and Internal Auditors, including the status of previous audit recommendations;

E. Financial Reporting

- Review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
    - changes in or implementation of accounting policies and practices;
    - significant adjustments or unusual events;
    - going concern assumptions; and
    - compliance with applicable approved Financial Reporting Standards, regulatory and other legal requirements.

F. Related Party Transactions

- Review any related party transactions and conflict of interest situations that may arise within the Company or the Group, including any transactions, procedures or courses of conduct that raise question on Management's integrity.

G. Other Matters Delegated by the Board

- Review the Committee's Terms of Reference as conditions dictate;
- Review the assistance given by the Group's employees 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;
- Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports and Management's response on any major defalcations, frauds and thefts;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act, 1965, Listing Requirements of Bursa Malaysia and other legislative and reporting requirements;
- Prepare reports, at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities; and
- Carry out any other activities, as authorised by the Board.

# AUDIT COMMITTEE REPORT

### Membership

The directors who served as members of the Audit Committee (the "Committee") during the financial year ended 31 December 2015 and as at the date of this report are:

| **Composition of Audit Committee** | |
|---|---|
| Mr Chew Hoy Ping | Chairman, Independent Non-Executive Director<br>*(ceased to be member and Chairman on 23 March 2016)* |
| Dato' Ng Jui Sia | Senior Independent Non-Executive Director |
| Ms Maggie Yeo Sock Koon | Non-Independent Non-Executive Director<br>*(appointed as a member of the Committee on 17 March 2015)* |
| Mr Peter Ho Kok Wai | Independent Non-Executive Director<br>*(appointed as a member of the Committee on 23 March 2016)* |
| Ms Gee Siew Yoong | Independent Non-Executive Director<br>*(appointed as a member of the Committee on 17 March 2015 and ceased to be member on 18 March 2016)* |
| Ms Thai Kum Foon | Non-Independent Non-Executive Director<br>*(ceased to be a member of the Committee on 17 March 2014)* |

Each member of the Committee is financially literate and has extensive years of relevant industry experience and a brief profile of each of the current Directors is presented on pages 12 to 14 of this Annual Report.

### Terms of Reference

The 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 47 to 49 of this Annual Report. The Board regularly reviews the terms of reference of the Committee to align with regulatory requirements.

**Meetings**

The Committee convened 5 meetings during the financial year ended 31 December 2015. The details of attendance of each member at the Audit Committee meetings are as follows:

| Director | Number of meetings attended |
|---|---|
| Mr Chew Hoy Ping | 5 of 5 |
| Dato' Ng Jui Sia | 4 of 5 |
| Ms Gee Siew Yoong | 4 of 4 |
| Ms Maggie Yeo Sock Koon | 4 of 4 |
| Ms Thai Kum Foon | 1 of 1 |

The meetings were appropriately structured through the use of agenda, which were distributed to members with sufficient notification in writing.

The Company Secretary, as the secretary of the Committee, was present at all meetings. Representatives of the External Auditors, i.e. Messrs Ernst & Young, the Group General Manager, Internal Audit, as well as the Chief Executive Officer, Group Chief Financial Officer, Group Chief Operating Officers and other Senior Management staff also attended the meetings, where appropriate, upon invitation of the Committee.

**Training and continuous engagement**

All members of the Committee have attended relevant training seminars and programmes to enhance their competency in fulfilling their functions and duties more effectively, including trainings which are relevant to their discharge of duties as the Committee members. Details of training attended by each member are set out on pages 40 to 42 of this Annual Report.

During the financial year, the Committee Chairman continuously engaged with the Chief Executive Officer and the Auditors by way of telephone conversations and attending ad-hoc meetings, in order to be kept informed of matters affecting the Group. Through such engagements, relevant issues were brought to the attention of the Committee in a timely manner.

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

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

- Reviewed with the External Auditors:
  (i) Scope of work and audit plan for the financial year prior to the commencement of audit fieldwork;

  (ii) The Directors' Report and the audited financial statements of the Company and Group prior to submission to the Board for consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965. Significant issues resulting from the audit of the financial statements by the External Auditors were deliberated; and

- Met with the external auditors twice (2 times) during the financial year, without the presence of Management, to discuss problems and reservations arising from the interim and final audits and other matters the External Auditors wished to discuss with the Committee;

# AUDIT COMMITTEE REPORT (cont'd)

**Summary of activities during the financial year under review (cont'd)**

- Considered and recommended to the Board on the re-appointment of the External Auditors and the audit fees payable to the External Auditors for the Board's submission to shareholders for approval at the Annual General Meeting;

- Reviewed the independence, suitability, objectivity and effectiveness of the External Auditors and the services provided, including non-audit services. The Committee has obtained written assurance from the External Auditors that they remained independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Non-audit fees totaling RM16,000 were paid to the External Auditors during the financial year for the provision of services in respect of the review of the Company's Statement on Risk Management and Internal Control and other audit services;

- Reviewed the quarterly financial results against the budget and the results of the preceding year;

- Reviewed the quarterly unaudited financial results announcements prior to recommending them to the Board for consideration and approval for release to Bursa Malaysia Securities Berhad and Singapore Exchange Securities Trading Limited. The review and discussions were conducted with the Chief Executive Officer, Group Chief Financial Officer and other Senior Management staff;

- Reviewed the Group Internal Audit function's resource requirements, adequacy of plan, functions and scope for the financial year under review;

- Reviewed the performance and competency of the Group Internal Audit function;

- Reviewed the internal audit programmes, processes and reports, which highlighted the audit issues, recommendation and Management's responses and discussed with Management and ensure appropriate actions were taken to improve the system of internal controls based on improvement opportunities identified in the internal audit reports;

- Reviewed the adequacy and effectiveness of the governance and risk management processes as well as the internal control system through risk assessment reports from Group Risk Management Steering Committee and the internal audit function. Significant risk issues were summarised and communicated to the Board for consideration and resolution;

- Reviewed the risk assessment updates for significant operating subsidiaries and assessed the appropriateness of the mitigation action plans to address the principal risks; and

- Reviewed the related party transactions and conflict of interest situations that arose within the Company or the Group.

**Internal Audit Function**

The Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities. The Internal Audit function provides independent assurance on the adequacy and integrity of the risk management, internal control and governance processes.

The Group General Manager, Internal Audit, who reports directly to the Audit Committee, is responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.

**Internal Audit Function (cont'd)**

A summary of the main activities undertaken by the Internal Audit function during the financial year is as follows:

- Prepared the annual risk-based internal audit plan for the Committee's approval;

- Carried out internal audits of the Group on a continuous basis to review the adequacy of internal controls in the auditable areas and to assess consistency in the compliance with the established policies and procedures. Apart from conducting risk-based internal audits for the Company and its subsidiaries, the Internal Audit function also performed routine and financial-based audits as part of its programme to cover strategic, operational and financial aspects of the Group's operations;

- Issued internal audit reports to the Committee on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures, with copies extended to Management, highlighting deficiencies with the corresponding improvement opportunities. The Group General Manager, Internal Audit attended the quarterly and ad-hoc Audit Committee meetings and presented reports on areas of audit concern for the Committee's deliberation; and

- Monitored remedial actions taken by Management in response to recommendations addressing the internal control deficiencies highlighted in previous cycles of internal audit.

The total cost incurred for the Internal Audit function for the financial year ended 31 December 2015 was RM890,400.

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 54 to 56 of this Annual Report.

Date: 23 March 2016

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Introduction**

Paragraph 15.26(b) of the Bursa's Main Market Listing Requirements requires the Board of Directors of listed issuers 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 risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control Statement (this "Statement"), which outlines the nature and scope of the risk management and internal control systems of the Group during the financial year ended 31 December 2015.

**Board's Responsibility**

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard its shareholders' investment and the Group's assets and for reviewing its adequacy and integrity. The system of internal control covers not only financial controls but operational and compliance controls and risk management procedures.

In view of the limitations inherent in any system of risk management and internal controls, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance, against material misstatement or loss.

Following the publication of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines") in January 2013, the Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. The Board, through its Audit Committee, regularly reviews the results of this process, including mitigating measures taken by Management, to address areas of key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

The Board has established key policies on the Group's risk management and internal control systems for the purpose of this Statement. The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of risk management and internal controls in the Group.

**Risk Management**

The Board fully supports the contents of the Guidelines and also Recommendation 6.1 of the Malaysian Code on Corporate Governance ("MCCG 2012") which recommends the establishment of a sound framework to manage risks.

Management is responsible for identifying, evaluating, monitoring and reporting of risks and internal control as well as 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.

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

- A risk management structure which outlines the lines of reporting and establishes the responsibilities at different levels, ie. the Board, Audit Committee and Management, as follows:

    > Board and Audit Committee – to maintain a sound risk management and internal controls system in the Group;

    > Group Risk Management Steering Committee ("GRMSC") – comprises the Chief Executive Officer and the heads of respective business units which are tasked to review and approve the annual risk management work plan and report significant risk issues to the Audit Committee. The GRMSC is assisted by a Group Risk Manager; and

    > Sub-committees ("SC") – to review the risk profiles and performance of business units and reports to the GRMSC

**Risk Management (cont'd)**

- Identification of principal risks (present and potential) faced by business units in the Group and Management's plans to mitigate or manage these risks. For the financial year under review, risk assessments and updates were undertaken by all six SCs, led by the heads of respective business units. The results of these assessments and management action plans to manage critical risks were reported by the SCs to the GRMSC for their further review. The Audit Committee, with assistance from the Group Internal Audit function, GRMSC and external consultants, then reviewed the Group Risk Profile which was compiled from the review of the risk profiles and risk registers for the SCs. For each principal risk, the assessment process considers the potential impact and likelihood of occurrence, effectiveness of controls in place (if any), and action plans taken to manage those risks to the desired level. The risk responses and internal controls that Management has taken and/or is taking are discussed at Audit Committee meetings;

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

- Risk Management Policy and Guidelines Document was reviewed and updated for adoption across the Group. The document offers practical guidance to employees on risk management issues; and

- Preparation of action plans to address risk and control issues on an on-going basis.

Whilst the Board considers the risk management framework to be robust, the framework is still subject to continuous improvement, taking into consideration better practices and the changing business environment.

**Internal Audit Function**

The Group has in place an adequately resourced independent in-house Internal Audit function, which provides assurance to Audit Committee on the adequacy and effectiveness of risk management, internal control and governance systems.

The Internal Audit function independently reviews the risk identification, evaluation and control processes implemented by Management, and reports to Audit Committee on a quarterly basis the outcome thereof. The Internal Audit function also reviews the internal control systems within the Group based on a detailed annual internal audit plan approved by the Audit Committee. Its audit strategy and plan are based on the risk profiles of major business units of the Group.

The Audit Committee evaluates the internal audit function to assess its effectiveness in the discharge of its responsibilities. The Internal Audit Function is guided by the International Professional Practices Framework issued by the Institute of Internal Auditors.

Further details of activities undertaken by the Internal Audit function are set out in the Audit Committee Report on pages 50 to 53 of this Annual Report.

**Internal Control**

The key elements of the Group's internal control systems are described below:

(a) *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; and

- The establishment of limits of authority through Expenditure Controls and Delegation of Authority Limits Policy was updated and rolled out on 1 March 2015 for the both the Company and its subsidiary.

**Internal Control (cont'd)**

(b) *Written Policies and Procedures*

- The establishment of policies and procedures on health and safety, training and development, equal employment opportunity, human opportunity, staff performance and handling misconduct; and

- The establishment of financial policies and procedures for major subsidiaries, covering core processes like tin trading activities, asset management, purchasing, payment, inventory and payroll.

(c) *Planning, Monitoring and Reporting*

- The CEO reports to the Board on significant changes in the business and the external environment;

- The GCFO provides the Board with quarterly financial information, which includes key financial indicators;

- Management information, which includes the monthly management reports covering both key financial and operational information, is provided to key Management for monitoring of performance against the business plan;

- Management Team meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues; and

- The Audit Committee reviews the Group's quarterly financial performance, together with Management, which is subsequently reported to the Board.

(d) *Insurance*

- Insurance and physical safeguards over major assets are in place to ensure that the assets of the Group are covered against any mishap that may result in material losses to the Group.

These key elements are relevant across Group operations and provide continuous assurance to increasingly higher levels of Management and, ultimately, to the Board. The processes are reviewed by the Internal Audit function, which provides a degree of assurance on the adequacy and effectiveness of the system of internal controls. Planned corrective actions are independently monitored for timely completion.

*Commentary on the adequacy and effectiveness of the Group's risk management and internal control systems*

The Board has received assurance in writing from the CEO and the GCFO that the Group's risk management and internal control system has been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Based on this assurance, the input from relevant assurance providers, as well as its review, the Board is of the view that the risk management and internal control system is adequate to meet the needs of the Group in addressing financial, operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. Notwithstanding this, the Board and senior management remains committed to strengthening the Group's control environment and processes. This is a continuous and on-going process and appropriate action plans will be put in place to enhance the Group's system of internal control as and when necessary.

Pursuant to Paragraph 15.23 of the Bursa's Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2015 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

Date: 23 March 2016

Driven by our

# INTEGRITY

and aspirations

## CONTENTS

# DIRECTORS' REPORT

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 2015.

**Principal activities**

The principal activities of the Company are investment holding, 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 the associates and joint ventures are set out in Notes 18 and 19 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 |
|---|---|---|
| Loss net of tax | **(4,800)** | **(14,585)** |
| Loss attributable to: | | |
| Owners of the Company | (4,795) | (14,585) |
| Non-controlling interests | (5) | – |
| | **(4,800)** | **(14,585)** |

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 as disclosed in Note 11 to the financial statements.

**Dividends**

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2015.

**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 financial 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:

| | |
|---|---|
| Dato' Ng Jui Sia* | (Appointed as Chairman on 23 March 2016) |
| Mr. Chew Kwee San | (Deputy Chairman) |
| Ms. Chew Gek Khim | (Appointed on 18 March 2016) |
| Ms. Maggie Yeo Sock Koon* | |
| Mr. Peter Ho Kok Wai* | (Appointed on 23 March 2016) |
| Mr. John Mathew A/L Mathai | (Appointed on 23 March 2016) |
| Ms. Gee Siew Yoong | (Resigned on 18 March 2016) |
| En. Razman Ariffin | (Ceased to be a member on 23 March 2016) |
| Mr. Chew Hoy Ping | (Ceased to be a member on 23 March 2016) |
| Dato' Seri Mohd. Ajib Anuar | (Retired on 27 April 2015) |

* Being members of Audit Committee as at the date of this report

In accordance with Article 101 of the Articles of Association of the Company, Dato' Ng Jui Sia retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

In accordance with Article 106 of the Articles of Association of the Company, Ms. Chew Gek Khim, Mr. Peter Ho Kok Wai and Mr. John Mathew A/L Mathai retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

**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 4 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 the director is a member, or with a company in which the director has a substantial financial interest, other than as disclosed in Note 37 to the financial statements.

**Directors' interests**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the holding company, the Company and its related corporations during the financial year were as follows:

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | **1 January 2015** | **Bought** | **Sold** | **31 December 2015** |
| **The Company** | | | | |
| **Direct interest** | | | | |
| En. Razman Ariffin | 67,000 | – | – | 67,000 |

None of the other directors in office at the end of the financial year had any interest in shares in the holding company, the Company or its related corporations during the financial year.

**Other statutory information**

(a) Before the income statements and statements of financial position 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts in respect of the financial statements of the Group and of the Company; and

(ii) to ensure that any current assets which were unlikely to realise their values 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) 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) 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.

**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the board in accordance with a resolution of the directors dated 23 March 2016.

**Dato' Ng Jui Sia** **Maggie Yeo Sock Koon**

# STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Ng Jui Sia and Maggie Yeo Sock Koon, 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 65 to 175 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The information set out in Note 43 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the board in accordance with a resolution of the directors dated 23 March 2016.

**Dato' Ng Jui Sia**

**Maggie Yeo Sock Koon**

# 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 65 to 176 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 Butterworth in the State of Penang
on 23 March 2016

**Yap Fook Ping**

Before me,

Commissioner for Oaths

**Report on the financial statements**

We have audited the financial statements of Malaysia Smelting Corporation Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 65 to 175.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 18 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) 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 purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

**Other reporting responsibilities**

The supplementary information set out in Note 43 on page 176 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lim Eng Huat
No. 2403/04/17(J)
Chartered Accountant

Penang, Malaysia
23 March 2016

# INCOME STATEMENTS

for the financial year ended 31 December 2015

| | Note | Group 2015 RM'000 | Group 2014 RM'000 | Company 2015 RM'000 | Company 2014 RM'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue** | | | | | |
| Tin mining and smelting revenue | | **1,464,855** | 1,915,179 | **1,464,852** | 1,915,179 |
| **Other items of income** | | | | | |
| Dividend income | 5 | **–** | – | **3,276** | 40,233 |
| Interest income | 6 | **4,713** | 7,156 | **3,968** | 6,453 |
| Other (loss)/income | 7 | **(52,646)** | (7,161) | **(51,509)** | 9,908 |
| **Expenses** | | | | | |
| Costs of tin mining and smelting | | **(1,328,548)** | (1,768,676) | **(1,369,171)** | (1,823,596) |
| Employee benefits expense | 8 | **(49,782)** | (51,258) | **(32,746)** | (33,911) |
| Depreciation expense | 4 | **(7,392)** | (6,143) | **(3,479)** | (2,760) |
| Amortisation expense | 4 | **(1,982)** | (1,812) | **(3)** | (2) |
| Impairment losses | 11 | **(6,733)** | (9,400) | **(7,427)** | (14,351) |
| Finance costs | 9 | **(13,970)** | (14,652) | **(13,608)** | (14,302) |
| Other expenses | 10 | **(6,960)** | (16,246) | **(5,821)** | (15,279) |
| Total expenses | | **(1,415,367)** | (1,868,187) | **(1,432,255)** | (1,904,201) |
| Share of results of associates and joint ventures | | **1,683** | (1,995) | **–** | – |
| **Profit/(Loss) before tax from continuing operations** | 4 | **3,238** | 44,992 | **(11,668)** | 67,572 |
| Income tax expense | 12 | **(8,038)** | (22,332) | **(2,917)** | (13,929) |
| **(Loss)/Profit from continuing operations, net of tax** | | **(4,800)** | 22,660 | **(14,585)** | 53,643 |
| **Discontinued operations** | | | | | |
| Loss from discontinued operations, net of tax | | | | | |
| - Subsidiary | 18(b) | **–** | (6,842) | **–** | – |
| - Disposal group classified as held for sale | 22 | **–** | (25,788) | **–** | – |
| | | **–** | (32,630) | **–** | – |
| **(Loss)/Profit net of tax** | | **(4,800)** | (9,970) | **(14,585)** | 53,643 |

# INCOME STATEMENTS (cont'd)
for the financial year ended 31 December 2015

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2015** | **2014** | **2015** | **2014** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Attributable to:** | | | | | |
| Owners of the Company | | **(4,795)** | (9,865) | **(14,585)** | 53,643 |
| Non-controlling interests | | **(5)** | (105) | **–** | – |
| | | **(4,800)** | (9,970) | **(14,585)** | 53,643 |

| | | Group | |
|---|---|---|---|
| | | **2015** | **2014** |
| **(Loss)/Earnings per share attributable to owners of the Company (sen per share):** | | | |
| Basic/Diluted | | | |
| - from continuing operations | 13 | **(4.8)** | 22.6 |
| - from discontinued operations | 13 | **–** | (32.5) |
| Basic/Diluted, for loss net of tax | | **(4.8)** | (9.9) |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **(Loss)/Profit net of tax** | **(4,800)** | (9,970) | **(14,585)** | 53,643 |
| **Other comprehensive income:** | | | | |
| **Items that will not be reclassified to profit or loss:** | | | | |
| Revaluation surplus on property, plant and equipment, net | **4,179** | 3,743 | **1,102** | 783 |
| Share of a joint venture's loss on remeasurement of retirement benefits obligation | **–** | (484) | **–** | – |
| | **4,179** | 3,259 | **1,102** | 783 |
| **Items that may be subsequently reclassified to profit or loss:** | | | | |
| Foreign currency translation | **12,049** | 13,501 | **–** | – |
| Net fair value (loss)/gain on available-for-sale investment securities | **(1,868)** | 598 | **(1,868)** | 598 |
| Net fair value changes on cash flow hedges | **(2,528)** | (3,270) | **(2,528)** | (3,270) |
| Realisation of foreign currency translation reserves to profit or loss upon sale of a subsidiary | **–** | 3,705 | **–** | – |
| Realisation of foreign currency translation reserves to profit or loss upon sale of disposal group classified as held for sale | **–** | 4,158 | **–** | – |
| | **7,653** | 18,692 | **(4,396)** | (2,672) |
| **Other comprehensive income for the year, net of tax** | **11,832** | 21,951 | **(3,294)** | (1,889) |
| **Total comprehensive income for the year** | **7,032** | 11,981 | **(17,879)** | 51,754 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | **7,037** | 11,153 | **(17,879)** | 51,754 |
| Non-controlling interests | **(5)** | 828 | **–** | – |
| **Total comprehensive income for the year** | **7,032** | 11,981 | **(17,879)** | 51,754 |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION
as at 31 December 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | **98,893** | 88,465 | **33,832** | 30,671 |
| Prepaid land lease payments | 16 | **806** | 839 | **–** | – |
| Base inventory | | **3,000** | 3,000 | **3,000** | 3,000 |
| Intangible assets | 17 | **7,930** | 8,868 | **210** | 213 |
| Investment in subsidiaries | 18 | **–** | – | **148,681** | 148,681 |
| Investment in associates and joint ventures | 19 | **84,469** | 71,318 | **46,603** | 47,877 |
| Investment securities | 20 | **12,930** | 7,792 | **12,930** | 7,792 |
| Other non-current assets | 21 | **12,375** | 11,458 | **–** | – |
| Other receivables | 24 | **5,637** | 5,982 | **5,637** | 5,982 |
| Deferred tax assets | 33 | **2,099** | 3,981 | **310** | 2,494 |
| | | **228,139** | 201,703 | **251,203** | 246,710 |
| **Current assets** | | | | | |
| Inventories | 23 | **269,115** | 253,952 | **254,809** | 251,517 |
| Trade and other receivables | 24 | **162,520** | 105,631 | **177,948** | 122,313 |
| Other current assets | 25 | **3,027** | 1,562 | **2,640** | 1,500 |
| Tax recoverable | | **10,327** | 3,528 | **10,327** | 2,430 |
| Cash, bank balances and deposits | 26 | **133,874** | 118,311 | **99,778** | 74,390 |
| | | **578,863** | 482,984 | **545,502** | 452,150 |
| **Total assets** | | **807,002** | 684,687 | **796,705** | 698,860 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 31.12.2015 RM'000 | 31.12.2014 RM'000 | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Provisions | 27 | **9,635** | 10,505 | **9,635** | 10,505 |
| Borrowings | 28 | **392,049** | 335,921 | **392,049** | 335,921 |
| Trade and other payables | 29 | **134,421** | 81,225 | **139,117** | 77,368 |
| Current tax payable | | **185** | 25 | **–** | – |
| Derivative financial instruments | 34 | **10,064** | 5,661 | **10,064** | 5,661 |
| | | **546,354** | 433,337 | **550,865** | 429,455 |
| **Net current assets/(liabilities)** | | **32,509** | 49,647 | **(5,363)** | 22,695 |
| **Non-current liabilities** | | | | | |
| Provisions | 27 | **18,000** | 10,350 | **–** | – |
| Deferred tax liabilities | 33 | **1,394** | 1,092 | **–** | – |
| Borrowings | 28 | **–** | 5,208 | **–** | 5,208 |
| Derivative financial instruments | 34 | **–** | 478 | **–** | 478 |
| | | **19,394** | 17,128 | **–** | 5,686 |
| **Total liabilities** | | **565,748** | 450,465 | **550,865** | 435,141 |
| **Net assets** | | **241,254** | 234,222 | **245,840** | 263,719 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 30 | **100,000** | 100,000 | **100,000** | 100,000 |
| Share premium | 30 | **76,372** | 76,372 | **74,666** | 74,666 |
| Other reserves | 31 | **33,435** | 21,603 | **1,210** | 4,504 |
| Retained earnings | 32 | **31,151** | 35,946 | **69,964** | 84,549 |
| | | **240,958** | 233,921 | **245,840** | 263,719 |
| **Non-controlling interests** | | **296** | 301 | **–** | – |
| **Total equity** | | **241,254** | 234,222 | **245,840** | 263,719 |
| **Total equity and liabilities** | | **807,002** | 684,687 | **796,705** | 698,860 |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2015

| | | | | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Non–distributable | | | | | Distributable | | |
| | Note | Total equity RM'000 | Equity attributable to owners of the Company, total RM'000 | Share capital RM'000 | Share premium RM'000 | Revaluation reserves RM'000 | Foreign currency translation reserves RM'000 | Available–for–sale reserves RM'000 | Hedging reserves RM'000 | Reserve of disposal group classified as held for sale RM'000 | Retained earnings RM'000 | Non–controlling interests ("NCI") RM'000 |
| **Group** | | | | | | | | | | | | |
| **At 1 January 2014** | | 180,656 | 222,768 | 100,000 | 76,372 | 21,116 | (14,198) | 1,661 | (1,316) | (6,969) | 46,102 | (42,112) |
| Loss for the year | | (9,970) | (9,865) | – | – | – | – | – | – | – | (9,865) | (105) |
| Other comprehensive income | | 21,951 | 21,018 | – | – | 3,743 | 16,273 | 598 | (3,270) | 4,158 | (484) | 933 |
| Total comprehensive income | | 11,981 | 11,153 | – | – | 3,743 | 16,273 | 598 | (3,270) | 4,158 | (10,349) | 828 |
| Acquisition of a subsidiary | 18(a) | 299 | – | – | – | – | – | – | – | – | – | 299 |
| Reserve of disposal group classified as held for sale | | – | – | – | – | – | (2,811) | – | – | 2,811 | – | – |
| Derecognition of NCI upon sale of disposal group classified as held for sale | 22 | 41,286 | – | – | – | – | – | – | – | – | – | 41,286 |
| Realisation of revaluation reserves upon sale of a subsidiary | 18(b) | – | – | – | – | (193) | – | – | – | – | 193 | – |
| **At 31 December 2014** | | 234,222 | 233,921 | 100,000 | 76,372 | 24,666 | (736) | 2,259 | (4,586) | – | 35,946 | 301 |
| **At 1 January 2015** | | **234,222** | **233,921** | **100,000** | **76,372** | **24,666** | **(736)** | **2,259** | **(4,586)** | **–** | **35,946** | **301** |
| Loss for the year | | **(4,800)** | **(4,795)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(4,795)** | **(5)** |
| Other comprehensive income | | **11,832** | **11,832** | **–** | **–** | **4,179** | **12,049** | **(1,868)** | **(2,528)** | **–** | **–** | **–** |
| Total comprehensive Income | | **7,032** | **7,037** | **–** | **–** | **4,179** | **12,049** | **(1,868)** | **(2,528)** | **–** | **(4,795)** | **(5)** |
| **At 31 December 2015** | | **241,254** | **240,958** | **100,000** | **76,372** | **28,845** | **11,313** | **391** | **(7,114)** | **–** | **31,151** | **296** |

| | Note | Total equity RM'000 | Share capital RM'000 | Share premium RM'000 | Revaluation reserves RM'000 | Available-for-sale reserves RM'000 | Hedging reserves RM'000 | Retained earnings RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | | | ← Non-distributable | | | → | Distributable |
| **Company** | | | | | | | | |
| **At 1 January 2014** | | 211,965 | 100,000 | 74,666 | 6,048 | 1,661 | (1,316) | 30,906 |
| Profit for the year | | 53,643 | – | – | – | – | – | 53,643 |
| Other comprehensive income | | (1,889) | – | – | 783 | 598 | (3,270) | – |
| Total comprehensive income | | 51,754 | – | – | 783 | 598 | (3,270) | 53,643 |
| **At 31 December 2014** | | 263,719 | 100,000 | 74,666 | 6,831 | 2,259 | (4,586) | 84,549 |
| **At 1 January 2015** | | **263,719** | **100,000** | **74,666** | **6,831** | **2,259** | **(4,586)** | **84,549** |
| Loss for the year | | **(14,585)** | **–** | **–** | **–** | **–** | **–** | **(14,585)** |
| Other comprehensive income | | **(3,294)** | **–** | **–** | **1,102** | **(1,868)** | **(2,528)** | **–** |
| Total comprehensive income | | **(17,879)** | **–** | **–** | **1,102** | **(1,868)** | **(2,528)** | **(14,585)** |
| **At 31 December 2015** | | **245,840** | **100,000** | **74,666** | **7,933** | **391** | **(7,114)** | **69,964** |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 | 2014 | 2015 | 2014 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| **Operating activities** | | | | | |
| Profit/(Loss) before tax from continuing operations | | **3,238** | 44,992 | **(11,668)** | 67,572 |
| Loss before tax from discontinued operations: | | | | | |
| - Subsidiary | 18(b) | **–** | (6,842) | **–** | – |
| - Disposal group classified as held for sale | 22 | **–** | (25,788) | **–** | – |
| | | **–** | (32,630) | **–** | – |
| Profit/(Loss) before tax, total | | **3,238** | 12,362 | **(11,668)** | 67,572 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 4 | **938** | 940 | **3** | 2 |
| Amortisation of mine properties | 4 | **1,011** | 839 | **–** | – |
| Amortisation of prepaid land lease payments | 4 | **33** | 42 | **–** | – |
| Deferred mine exploration and evaluation expenditures expensed off | 21 | **7** | – | **–** | – |
| Depreciation | 4 | **7,392** | 6,218 | **3,479** | 2,760 |
| Dividend income received from a subsidiary | 5 | **–** | – | **(3,267)** | (10,890) |
| Dividend income received from an associate and a joint venture | 5 | **–** | – | **(9)** | (29,343) |
| Fair value changes in ineffective portion of derivatives designated as hedging instruments in cash flow hedge | 7 | **654** | (481) | **654** | (481) |
| Fair value changes in interest rate swap | 7 | **(55)** | (103) | **(55)** | (103) |
| Gain on disposal of property, plant and equipment | 7 | **(12)** | (3) | **(12)** | – |
| Impairment of receivables | 11 | **5,824** | 6,164 | **5,824** | 7,024 |
| Provision for financial guarantee | 10 | **–** | 9,635 | **–** | 9,635 |
| Impairment of investment in associates and joint ventures, net | 11 | **580** | 3,143 | **1,274** | 7,234 |
| Impairment of investment securities | 11 | **329** | 93 | **329** | 93 |
| Interest expense | 9 | **13,595** | 14,287 | **13,595** | 14,287 |
| Interest income | 6 | **(4,713)** | (7,156) | **(3,968)** | (6,453) |
| Loss on sale of a subsidiary | 18(b) | **–** | 3,504 | **–** | – |
| Loss/(Gain) on sale of disposal group classified as held for sale | 22 | **–** | 25,343 | **–** | (3,236) |

| | Note | Group 2015 RM'000 | Group 2014 RM'000 | Company 2015 RM'000 | Company 2014 RM'000 |
|---|---|---|---|---|---|
| **Operating activities (cont'd)** | | | | | |
| Property, plant and equipment written off | 10 | **–** | 4 | **–** | – |
| Reversal of provision for severance benefits, net | 22,27 | **–** | (344) | **–** | – |
| (Reversal of revaluation deficit)/Revaluation deficit on property | 7,10 | **(21)** | 28 | **–** | – |
| Reversal of interest charged to a joint venture | 10 | **–** | 692 | **–** | 692 |
| Share of results of associates and joint ventures | | **(1,683)** | 1,995 | **–** | – |
| Unrealised loss on exchange | | **5,523** | 6,183 | **5,531** | 3,005 |
| Unwinding of discount on provision | 9 | **362** | 350 | **–** | – |
| Waiver on advances received from a joint venture | 7 | **–** | – | **–** | (8,291) |
| Write down of inventories | 4 | **14,200** | 3,200 | **14,200** | 3,200 |
| Operating cash flows before changes in working capital | | **47,202** | 86,935 | **25,910** | 56,707 |
| (Increase)/Decrease in inventories | | **(29,363)** | 21,152 | **(17,492)** | 18,116 |
| Increase in receivables | | **(54,974)** | (39,185) | **(54,215)** | (42,564) |
| Decrease in amounts due from subsidiaries | | **–** | – | **1,301** | 488 |
| (Increase)/Decrease in amounts due from associates and joint ventures | | **(2,595)** | 48 | **(2,595)** | 48 |
| Increase/(Decrease) in payables | | **42,992** | 1,269 | **38,971** | (1,701) |
| Decrease in amount due to holding company | | **–** | (43) | **–** | (43) |
| Increase/(Decrease) in amount due to subsidiaries | | **–** | – | **12,573** | (11,652) |
| Cash generated from operations | | **3,262** | 70,176 | **4,453** | 19,399 |
| Income tax paid | | **(11,745)** | (28,108) | **(7,590)** | (17,937) |
| Interest paid | | **(14,480)** | (14,671) | **(14,480)** | (14,671) |
| Severance benefits paid | | **–** | (5,910) | **–** | – |
| Net cash (used in)/generated from operating activities | | **(22,963)** | 21,487 | **(17,617)** | (13,209) |

# STATEMENTS OF CASH FLOWS (cont'd)
for the financial year ended 31 December 2015

| | Note | Group 2015 RM'000 | Group 2014 RM'000 | Company 2015 RM'000 | Company 2014 RM'000 |
|---|---|---|---|---|---|
| **Investing activities** | | | | | |
| Interest received | | **4,166** | 7,019 | **2,941** | 5,811 |
| Net cash outflow on acquisition of a subsidiary | 18(a) | **–** | (478) | **–** | – |
| Net cash outflow on sale of a subsidiary | 18(b) | **–** | (22) | **–** | – |
| Net cash inflow on sale of disposal group classified as held for sale | 22 | **–** | 558 | **–** | 1,309 |
| Net dividend received from an associate and a joint venture | | **9** | 29,343 | **9** | 29,343 |
| Net dividend received from a subsidiary | | **–** | – | **3,267** | 10,890 |
| Payment for deferred mine exploration and evaluation expenditures and mine properties | 21 | **(1,935)** | (5,049) | **–** | – |
| Payment for corporate club memberships | 17 | **–** | (215) | **–** | (215) |
| Payment for prepaid land lease payments | 16 | **–** | (200) | **–** | – |
| Placement of deposits of more than three months maturity with licensed banks | | **(5,234)** | – | **(2,000)** | – |
| Proceeds from disposal of property, plant and equipment | | **12** | 3 | **12** | – |
| Purchase of property, plant and equipment | | **(5,692)** | (9,041) | **(5,190)** | (7,165) |
| Purchase of an investment security | | **(7,925)** | – | **(7,925)** | – |
| Net cash (used in)/ generated from investing activities | | **(16,599)** | 21,918 | **(8,886)** | 39,973 |
| **Financing activities** | | | | | |
| Drawdown/(Repayment) of short term trade financing and other borrowings | | **70,843** | (9,859) | **70,843** | (9,859) |
| Repayment of term loans | | **(21,009)** | (19,731) | **(21,009)** | (19,731) |
| Net cash generated from/(used in) financing activities | | **49,834** | (29,590) | **49,834** | (29,590) |
| Net increase/(decrease) in cash and cash equivalents | | **10,272** | 13,815 | **23,331** | (2,826) |
| Effect of changes in foreign exchange rates | | **(17)** | 46 | **(17)** | 46 |
| Cash and cash equivalents as at 1 January | | **116,936** | 103,075 | **73,015** | 75,795 |
| Cash and cash equivalents as at 31 December | 26 | **127,191** | 116,936 | **96,329** | 73,015 |

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The Company is secondarily listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Registered Office of the Company is located at B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.

The immediate holding company of the Company is The Straits Trading Company Limited, a public limited liability company incorporated in Singapore and listed on the SGX-ST which publishes financial statements available for public use. The ultimate holding company of the Company is The Cairns Private Limited, a private limited liability company incorporated in Singapore.

The principal activities of the Company are investment holding, 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 the associates and joint ventures are set out in Notes 18 and 19 respectively.

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

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Group and the Company have adopted the following amendments and annual improvements to MFRS mandatory for annual financial periods beginning on or after 1 January 2015.

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions | 1 July 2014 |
| Annual Improvements to MFRSs 2010-2012 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2011-2013 Cycle | 1 July 2014 |

Adoption of the above standards did not have any effect on the financial performance or position of the Group and the Company.

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following standards that have been issued but not yet effective:

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Annual Improvements to MFRSs 2012–2014 Cycle | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 101: Disclosure Initiative | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| MFRS 14: Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 9: Financial Instruments | 1 January 2018 |
| MFRS 15: Revenue from Contracts with Customers | 1 January 2018 |

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application, except as disclosed below:

<u>Amendments to MFRS 101: Disclosure Initiative</u>

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:
- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments affect presentation and disclosure in financial statements only and have no impact on the Group's and the Company's financial position or performance.

<u>MFRS 9 Financial Instruments</u>

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments projects and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group and the Company are in the process of assessing the impact of MFRS 15.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation (cont'd)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

**Business combinations**

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

### 2.5 Subsidiaries

A subsidiary is an entity over which the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

## 2. Summary of significant accounting policies (cont'd)

### 2.6 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of 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 or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets ("MFRS 136") as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less accumulated impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

#### (i) Mining rights

Mining rights acquired 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 accumulated impairment losses, if any.

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 and resources. Changes in the estimated economically recoverable ore reserves and resources are accounted for on a prospective basis from the beginning of the year in which the changes arises.

#### (ii) Club memberships

Club memberships acquired separately are measured on initial recognition at cost. Following initial recognition, club memberships are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Club memberships are amortised on a straight-line basis over the finite useful life.

## 2. Summary of significant accounting policies (cont'd)

### 2.8 Mine exploration, evaluation expenditures and mine properties

#### a) Deferred mine exploration and evaluation expenditures

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised based on the unit-of-production method.

Mine exploration and evaluation expenditures incurred for a new area of interest are 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 permits a reasonable assessment of the existence of economically recoverable ore reserves and resources. These costs also include directly attributable employee remuneration, materials used and overhead costs.

Once an economically mineable resource for an area of interest is established and development is sanctioned, such exploration and evaluation expenditure is transferred to mine properties. No amortisation is charged during the exploration and evaluation phase.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

#### b) Mine properties

Mine properties are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

All expenditures incurred in connection with development activities in respect of each mine property, which includes all activities conducted in the preparation of economically recoverable ore reserves and resources until commercial production are accumulated in respect of each mine property. Exploration and evaluation expenditure is also transferred to mine properties once the work completed to date for the area supports the future development of the property and such development received appropriate approvals. These costs are only deferred to the extent that they are expected to be recouped through the successful development of the area.

Waste removal (stripping) costs incurred during the production phase of a surface mine (production stripping costs) are only capitalised to mine property expenditure when all the following criteria are met:-

a. It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the entity;
b. The entity can identify the component of an ore body for which access has been improved; and
c. The costs relating to the improved access to that component can be measured reliably.

Expenditure for a mine property which is considered to provide minimal benefit to future periods is recognised as an expense in profit or loss.

**2. Summary of significant accounting policies (cont'd)**

**2.8 Mine exploration, evaluation expenditures and mine properties (cont'd)**

**b) Mine properties (cont'd)**

When production for a mine property commences, the accumulated cost for the mine property 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 and resources. Changes in the estimated economically recoverable ore reserves and resources are accounted for on a prospective basis from the beginning of the year in which the changes arises.

A review is carried out annually on the carrying amount of a mine property to determine whether there is any indication of impairment. An impairment loss is recognised as an expense in profit or loss.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

**2.9 Mine restoration expenditure**

Restoration expenditure incurred during the production phase of operations is recognised in profit or loss as part of the cost of production of the mine property concerned.

Significant mine restoration 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.

**2.10 Property, plant and equipment and depreciation**

Property, plant and equipment, other than land and buildings are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

The accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

In the tin mining subsidiaries, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves and resources over the estimated useful lives of the assets. Changes in the estimated economically recoverable ore reserves and resources 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.

**2. Summary of significant accounting policies (cont'd)**

**2.10 Property, plant and equipment and depreciation (cont'd)**

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment of the Group and the Company 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. The estimated useful lives 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 |
| Mine restoration | Life of mine |

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

**2.11 Prepaid land lease payments**

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

The prepaid land lease payments are amortised over their lease terms.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

**2.12 Impairment of non-financial assets**

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group and the Company base their impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's and the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

**2. Summary of significant accounting policies (cont'd)**

**2.12 Impairment of non-financial assets (cont'd)**

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

**Goodwill**

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**Intangible assets**

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

**2.13 Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of their financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

The Group's and the Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Financial assets (cont'd)

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as described below:

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in finance costs or interest income in profit or loss. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under MFRS 139 are satisfied. The Group and the Company have not designated any financial assets at fair value through profit or loss.

The Group and the Company evaluate their financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group and the Company are unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group and the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in profit or loss. The losses arising from impairment are recognised in profit or loss.

**Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in profit or loss. The losses arising from impairment are recognised in profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Financial assets (cont'd)

**Available-for-sale financial assets**

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to profit or loss. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate method.

The Group and the Company evaluate whether the ability and intention to sell their available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group and the Company are unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group and the Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group and the Company have the intention and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted when the financial assets meet the definition of held-to-maturity financial assets and the Group and the Company have ability and positive intention to hold the financial assets to maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or
  (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if and to what extent they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Financial assets (cont'd)

**Derecognition (cont'd)**

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

### 2.14 Impairment of financial assets

The Group and the Company assess, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recorded in profit or loss.

**Available-for-sale financial assets**

For available-for-sale financial assets, the Group and the Company assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Impairment of financial assets (cont'd)

**Available-for-sale financial assets (cont'd)**

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss.

### 2.15 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 matching 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 the 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.

Cost of other inventories comprising stores, spares, fuels, coal 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.

### 2.16 Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

**2. Summary of significant accounting policies (cont'd)**

**2.17 Lease**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

***As a lessee***

Finance leases that transfer to the Group and the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

***As a lessor***

Leases in which the Group and the Company do not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

**2.18 Provisions**

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group and the Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

**2.19 Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of MFRS 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of their financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdraft, and derivative financial instruments.

## 2. Summary of significant accounting policies (cont'd)

### 2.19 Financial liabilities (cont'd)

**Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at the initial date of recognition, and only if criteria of MFRS 139 are satisfied.

The Group and the Company have designated interest rate swap as a financial liability at fair value through profit or loss.

**Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

**Financial guarantee contracts**

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.20 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### 2.21 Fair value measurement

The Group and the Company measure financial instruments, such as, derivatives, and non-financial assets such as properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 39(b).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group and the Company determine the policies and procedures for recurring fair value measurement, such as properties and unquoted available-for-sale ("AFS") financial assets.

**2. Summary of significant accounting policies (cont'd)**

**2.21 Fair value measurement (cont'd)**

External valuers may be involved for valuation of significant assets, such as properties and AFS financial assets. Involvement of external valuers is decided upon annually by the Company. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group and the Company analyse the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's and the Company's accounting policies. For this analysis, the Group and the Company verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group and the Company also compare the change in the fair value of each asset and liability with relevant external sources, where practical to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**2.22 Derivative financial instruments and hedge accounting**

**Initial recognition and subsequent measurement**

The Group and the Company use derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts, to manage their foreign currency risks, interest rate risks and commodity price risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group and the Company formally designate and document the hedge relationship to which the Group and the Company wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

**2. Summary of significant accounting policies (cont'd)**

**2.22 Derivative financial instruments and hedge accounting (cont'd)**

**Initial recognition and subsequent measurement (cont'd)**

Hedge accounting will be discontinued in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing within a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree or replace their original counterparty with a new one). Any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness with retrospective application.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

***Fair value hedges***

The change in the fair value of a hedging derivative is recognised in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

***Cash flow hedges***

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

***Hedges of a net investment***

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.22 Derivative financial instruments and hedge accounting (cont'd)

***Derivatives that are not designated or do not qualify for hedge accounting***

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are directly recognised in profit or loss.

**Current versus non-current classification**

Derivative instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- When the Group and the Company hold a derivative instrument as an economic hedge (and do not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative instrument is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivative that is not closely related to the host contract is classified consistent with the cash flows of the host contract.
- Derivative instrument that is designated as, and are effective hedging instrument, is classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

### 2.23 Foreign currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

**i) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

**2. Summary of significant accounting policies (cont'd)**

**2.23 Foreign currencies (cont'd)**

**ii) Group companies**

On consolidation the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their income and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the reporting date.

**2.24 Non-current assets and disposal group held for sale and discontinued operation**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts 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 or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in income statement.

**2.25 Base inventory**

Base inventory is the base recirculating inventory in the smelting process. The value represents the initial cost of 381 tonnes of metallic tin content.

## 2. Summary of significant accounting policies (cont'd)

### 2.26 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group and the Company assess their revenue arrangements against specific criteria to determine if they are acting as principals or agents. The specific recognition criteria described below must also be met before revenue is recognised.

**(a) 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.

**(b) Interest income**

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

**(c) Dividend income**

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

**(d) Tin warrant and other service charges**

Revenue is recognised upon performance of services.

**(e) Warehouse rent**

Revenue is recognised on an accrual basis.

### 2.27 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.28 Income tax

**(a) Current tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**2. Summary of significant accounting policies (cont'd)**

**2.28 Income tax (cont'd)**

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.29 Employee benefits

#### (a) 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.

#### (b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay 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 period in which the related services is performed. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

#### (c) Severance benefits

Certain subsidiaries operate a partly funded or unfunded, Severance Benefits Scheme ("the Scheme") for its eligible employees. The subsidiaries' obligations under the Scheme, calculated using the Projected Unit Credit Method, are 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.

Re-measurements of the net defined benefit liability, comprises actuarial gains and losses, any change in the effect of the plan asset ceiling, excluding net interest on the net defined benefit liability and the return on plan assets excluding net interest on the net defined benefit liability, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss when plan amendment or curtailment occurs.

The amount recognised in the statements of financial position is the aggregate of the present value of the defined benefit obligation less the fair value of any plan asset at the reporting date. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

#### (d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits when they are demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

## 2. Summary of significant accounting policies (cont'd)

### 2.30 Segment reporting

For management purposes, the Group is organised into operating segments based on business segments which are independently managed by the respective segment chief executives responsible for the performance of the respective segments under their charge. The segment chief executives report directly to the chief operating decision maker of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.31 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.32 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

## 3. Significant accounting judgements and estimates

The preparation of the financial statements of the Group and the Company requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

**Impairment of investment securities**

The Group and the Company review their equity investments classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group and the Company also record impairment charges on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group and the Company evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. During the year, the Group and the Company impaired quoted equity instruments with "significant" decline in fair value greater than 20%, or over a "prolonged" period of 12 months or more.

The amount of impairment losses recognised in profit or loss of the Group and the Company for available-for-sale investments is disclosed in Note 11.

## 3. Significant accounting judgements and estimates (cont'd)

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

**(a) 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 subsidiaries, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves and resources over the estimated useful lives of the assets. Changes in estimated economically recoverable ore reserves and resources 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. Changes in the estimated economically recoverable ore reserves and resources 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 amount at the reporting date for property, plant and equipment is disclosed in Note 15.

**(b) Amortisation and impairment of mining rights, deferred mine exploration and evaluation expenditures and mine properties**

These require estimates and assumptions on the quantity of economically recoverable ore reserves and resources, expected future costs and expenses to produce the metal or minerals, effective interest rates, expected future prices used in the impairment test for mining rights, deferred mine exploration and evaluation expenditures and mine properties. The estimate of the quantity of economically recoverable ore reserves and resources is also used for the amortisation of mining rights and mine properties. Actual outcomes could differ from these estimates and assumptions. The carrying amount at the reporting date for mining rights is disclosed in Note 17 and that for deferred mine exploration and evaluation expenditures and mine properties is disclosed in Note 21.

**(c) Impairment loss on investment in subsidiaries, and associates and joint ventures and unquoted investment**

The Group has subsidiaries, associates and joint ventures and unquoted investment which are principally involved in exploration, mining and processing of various minerals and metals.

The impairment assessments of the Group's investment in an associate, Guilin Hinwei Tin Co Ltd., a joint venture, KM Resources, Inc. and its unquoted investment in TMR Ltd. are based on estimated fair value less costs to sell.

These require estimates and assumptions on the net assets, future prospect or expected commencement date for commercial production. Actual outcomes could differ from these estimates and assumptions.

The carrying amount at the reporting date for investment in associates and joint ventures and unquoted investment is disclosed in Notes 19 and 20 respectively.

3. **Significant accounting judgements and estimates (cont'd)**

**3.2 Key sources of estimation uncertainty (cont'd)**

**(d) Provision for mine restoration costs**

Provision for mine restoration costs are provided based on the present value of the estimated future expenditure to be incurred subsequent to the cessation of production. Significant management judgement and estimation are required in determining the future expenditure, the cessation date of production and the discount rate. The mine restoration plan was submitted by a subsidiary to the relevant authorities during the year ended 31 December 2013. The carrying amount of provision for mine restoration costs amounting to RM18.0 million (2014: RM10.4 million) disclosed in Note 27 is based on modifications proposed by the consultant appointed during the year ended 31 December 2015. As the mine restoration plan is still being reviewed by the relevant authorities, the final amount cannot be determined at this juncture. Where expectations from the relevant authorities differ from the plan submitted or actual amount differs from the original estimates, the differences may significantly impact the carrying amount of provision for mine restoration costs.

**(e) Inventories**

Inventories are stated at the lower of cost and net realisable value. Significant management judgement and in certain circumstances estimate on the physical stock quantity are required to determine their cost and net realisable value. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amount of inventories at the reporting date is disclosed in Note 23.

**(f) Income taxes, deferred tax liabilities and tax recoverable**

The Group and Company are subject to income taxes in Malaysia and other overseas jurisdictions. Significant judgement is required in determining the capital or mining allowances and deductibility of certain expenses and temporary differences during the estimation of the provision for income taxes and deferred tax liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax, tax recoverable and deferred income tax provisions in the period in which such determination is made. The amount of income tax expense recognised in profit or loss and the carrying amount of deferred tax liabilities at the reporting date are disclosed in Note 12 and Note 33 respectively.

**(g) Economically recoverable ore reserves and resources**

Economically recoverable ore reserves and resources are estimates of the amount of ore that can be economically and legally recoverable from the mine properties. The Group estimates its ore reserves and resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves and resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

Changes in the reserve or resource estimates may impact the carrying value of investment in subsidiaries, associates and joint ventures, unquoted investment, mining rights, deferred exploration and evaluation expenditures, mine properties, property, plant and equipment, goodwill, provision for mine restoration costs, recognition of deferred tax assets, deferred tax liabilities and tax recoverable, and depreciation and amortisation charges.

**3. Significant accounting judgements and estimates (cont'd)**

**3.2 Key sources of estimation uncertainty (cont'd)**

**(h) Impairment of loans and receivables**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Significant management judgement and estimation are required in determining the future cash flows and discount rate. Where expectations differ from original estimates, the differences will impact the carrying amount of the loan and receivables.

As at 31 December 2015, the carrying value of the shareholders' loan given to the joint venture was recorded at RM5.6 million, as disclosed in Note 24. The assessment of the recoverable value of the shareholders' loan was based on the net assets of the joint venture as at 31 December 2015 as the timing of the repayment of the shareholders' loan by the joint venture cannot be determined reliably due to the uncertainty of the commencement date of the joint venture's operations.

**4. Profit/(Loss) before tax**

The following items have been included in arriving at the profit/(loss) before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Continuing operations: | | | | |
| After charging: | | | | |
| Auditors' remuneration: | | | | |
| - statutory audits | **479** | 484 | **390** | 390 |
| - under provision in prior years | **–** | 145 | **–** | 140 |
| Amortisation of prepaid land lease payments (Note 16) | **33** | 33 | **–** | – |
| Amortisation of mining rights (Note 17) | **890** | 893 | **–** | – |
| Amortisation of corporate club memberships (Note 17) | **48** | 47 | **3** | 2 |
| Amortisation of mine properties (Note 21) | **1,011** | 839 | **–** | – |
| Consulting fees paid to a director of a subsidiary | **–** | 60 | **–** | – |
| Depreciation of property, plant and equipment (Note 15) | **7,392** | 6,143 | **3,479** | 2,760 |
| Directors' remuneration (Note 37(b)): | | | | |
| - fees | **834** | 615 | **730** | 550 |
| - salaries and emoluments | **–** | 937 | **–** | 932 |
| Hire of equipment and vehicles | **259** | 301 | **259** | 301 |
| Provision for severance benefits (Note 27) | **–** | 34 | **–** | – |
| Rental of land and buildings | **348** | 267 | **1,958** | 1,942 |
| Write down of inventories | **14,200** | 3,200 | **14,200** | 3,200 |

## 4. Profit/(Loss) before tax (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Discontinued operations: (Notes 18(b) and 22) | | | | |
| After charging: | | | | |
| Auditors' remuneration: | | | | |
| - statutory audits | – | 84 | – | – |
| Amortisation of prepaid land lease payments (Note 16) | – | 9 | – | – |
| Depreciation of property, plant and equipment (Note 15) | – | 75 | – | – |
| Directors' remuneration (Note 37(b)): | | | | |
| - fees | – | 3 | – | – |
| Loss on sale of a subsidiary (Note 18(b)) | – | 3,504 | – | – |
| Loss on sale of disposal group classified as held for sale (Note 22) | – | 25,343 | – | – |
| Rental of land and buildings | – | 18 | – | – |
| and crediting: | | | | |
| Reversal of provision for severance benefits, net (Notes 18(b) and 22) | – | 378 | – | – |

## 5. Dividend income

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | RM'000 | RM'000 |
| Dividend income from: | | |
| Investment in subsidiaries | | |
| - Unquoted in Malaysia | **3,267** | 10,890 |
| Investment in associates and joint ventures | | |
| - Unquoted in Malaysia | **9** | 29,343 |
| | **3,276** | 40,233 |

## 6. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest income from: | | | | |
| - Subsidiaries | **–** | – | **480** | 505 |
| - Associates and joint ventures | **133** | 147 | **133** | 147 |
| - Deposits | **2,629** | 2,239 | **1,404** | 1,031 |
| - Tin sales | **1,951** | 4,770 | **1,951** | 4,770 |
| | **4,713** | 7,156 | **3,968** | 6,453 |

Interest income does not include the amount attributable to discontinued operations.

## 7. Other (loss)/income

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Other operating income | **2,475** | 2,661 | **3,637** | 3,278 |
| Gain on disposal of property, plant and equipment | **12** | 3 | **12** | – |
| Net foreign exchange loss | **(54,555)** | (10,409) | **(54,559)** | (5,481) |
| Fair value changes in financial assets: | | | | |
| - Interest rate swap | **55** | 103 | **55** | 103 |
| - Ineffective portion of derivatives designated as hedging instruments in cash flow hedge (Note 31) | **(654)** | 481 | **(654)** | 481 |
| Reversal of revaluation deficit on property | **21** | – | **–** | – |
| Gain on sale of disposal group classified as held for sale (Note 22) | **–** | – | **–** | 3,236 |
| Waiver on advances received from a joint venture | **–** | – | **–** | 8,291 |
| | **(52,646)** | (7,161) | **(51,509)** | 9,908 |

Other income does not include the amount attributable to discontinued operations.

## 8. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Wages and salaries | **42,730** | 44,400 | **27,505** | 28,824 |
| Social security contribution | **374** | 357 | **188** | 172 |
| Contribution to defined contribution plan | **4,547** | 4,538 | **3,209** | 3,255 |
| Severance benefits (Note 27) | **–** | 34 | **–** | – |
| Other benefits | **2,131** | 1,929 | **1,844** | 1,660 |
| | **49,782** | 51,258 | **32,746** | 33,911 |

The employee benefits expense includes directors' salaries and emoluments as disclosed in Note 4 but does not include the amount attributable to discontinued operations.

## 9. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest expenses on bank borrowings | **13,595** | 14,287 | **13,595** | 14,287 |
| Interest expense paid to a subsidiary | **–** | – | **–** | – |
| Commitment fees | **13** | 15 | **13** | 15 |
| Unwinding of discount on provision (Note 27) | **362** | 350 | **–** | – |
| | **13,970** | 14,652 | **13,608** | 14,302 |

Finance costs do not include the amount attributable to discontinued operations.

## 10. Other expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Administrative expenses | **5,356** | 4,704 | **4,217** | 3,769 |
| Marketing and distribution expenses | **1,604** | 1,183 | **1,604** | 1,183 |
| Property, plant and equipment written off | **–** | 4 | **–** | – |
| Revaluation deficit on property | **–** | 28 | **–** | – |
| Reversal of interest charged to a joint venture | **–** | 692 | **–** | 692 |
| Provision for financial guarantee | **–** | 9,635 | **–** | 9,635 |
| | **6,960** | 16,246 | **5,821** | 15,279 |

Other expenses do not include the amount attributable to discontinued operations.

## 11. Impairment losses

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impairment of investment securities | **329** | 93 | **329** | 93 |
| Impairment of receivables (Note 24) | **5,824** | 6,164 | **5,824** | 7,024 |
| Impairment of investment in associates and joint ventures, net | **580** | 3,143 | **1,274** | 7,234 |
| | **6,733** | 9,400 | **7,427** | 14,351 |

Impairment losses do not include the amount attributable to discontinued operations.

## 12. Income tax expense

**Major components of income tax expense**

The major components of income tax expense are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Income statement** | | | | |
| Current income tax – continuing operations: | | | | |
| Malaysian income tax | **6,347** | 20,187 | **940** | 11,654 |
| (Over)/Under provision in prior years: | | | | |
| Malaysian income tax | **(1,241)** | 920 | **(1,247)** | 1,251 |
| | **5,106** | 21,107 | **(307)** | 12,905 |

## 12. Income tax expense (cont'd)

**Major components of income tax expense (cont'd)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Deferred tax – continuing operations (Note 33): | | | | |
| Relating to origination and reversal of temporary differences | **(339)** | (123) | **(53)** | (528) |
| Under provision in prior years | **3,271** | 1,348 | **3,277** | 1,552 |
| | **2,932** | 1,225 | **3,224** | 1,024 |
| Income tax attributable to continuing operations/Income tax expense recognised in profit or loss | **8,038** | 22,332 | **2,917** | 13,929 |
| Deferred tax related to other comprehensive income (Notes 31 and 33): | | | | |
| Net surplus on revaluation of buildings | **640** | 494 | **348** | 247 |
| Net fair value (loss)/gain on available-for-sale investment securities | **(590)** | 189 | **(590)** | 189 |
| Net fair value changes on cash flow hedges | **(798)** | (1,010) | **(798)** | (1,010) |
| | **(748)** | (327) | **(1,040)** | (574) |

Domestic current income tax is calculated at the statutory tax rate of 25% of the estimated assessable profit for the year. The domestic current income tax will be reduced to 24% from the current year's rate of 25% effective year of assessment 2016.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The income tax rates applicable to foreign subsidiaries are as follows:-

| | **2015** | **2014** |
|---|---|---|
| Indonesia | **25%** | 25% |
| Singapore | **17%** | 17% |

## 12. Income tax expense (cont'd)

**Reconciliation between tax expense and accounting profit/(loss)**

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) before tax from continuing operations | **3,238** | 44,992 | **(11,668)** | 67,572 |
| Loss before tax from discontinued operations: | | | | |
| - Subsidiary (Note 18(b)) | **–** | (6,842) | **–** | – |
| - Disposal group classified as held for sale (Note 22) | **–** | (25,788) | **–** | – |
| | **–** | (32,630) | **–** | – |
| Accounting profit/(loss) before tax | **3,238** | 12,362 | **(11,668)** | 67,572 |
| Taxation at Malaysian statutory tax rate of 25% (2014: 25%) | **810** | 3,091 | **(2,917)** | 16,893 |
| Effect of reduction in tax rate | **24** | 13 | **1** | 22 |
| Different tax rates in other countries | **4** | (18) | **–** | – |
| Income not subject to tax | **(68)** | (144) | **(887)** | (12,948) |
| Expenses not deductible for tax purpose | **5,238** | 17,122 | **4,690** | 7,159 |
| (Over)/Under provision of tax expense in prior years | **(1,241)** | 920 | **(1,247)** | 1,251 |
| Under provision of deferred tax in prior years | **3,271** | 1,348 | **3,277** | 1,552 |
| Income tax expense recognised in profit or loss | **8,038** | 22,332 | **2,917** | 13,929 |

## 13. Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share are calculated by dividing (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| (Loss)/Profit net of tax attributable to owners of the Company: | | |
| - from continuing operations (RM'000) | **(4,795)** | 22,658 |
| - from discontinued operations (RM'000) | **–** | (32,523) |
| Total (RM'000) | **(4,795)** | (9,865) |
| Weighted average number of ordinary shares in issue ('000) | **100,000** | 100,000 |
| Basic/Diluted: | | |
| - from continuing operations (sen) | **(4.8)** | 22.6 |
| - from discontinued operations (sen) | **–** | (32.5) |
| Loss per share (sen) | **(4.8)** | (9.9) |

**14. Dividends**

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2015.

**15. Property, plant and equipment**

| Group | Freehold land RM'000 | Buildings RM'000 | Plant, equipment, vehicles and furniture RM'000 | Mine restoration RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| At 1 January 2015 | | | | | | |
| - At cost | – | – | 85,255 | 9,336 | 4,143 | 98,734 |
| - At valuation | 24,660 | 20,144 | – | – | – | 44,804 |
| | 24,660 | 20,144 | 85,255 | 9,336 | 4,143 | 143,538 |
| Additions | – | 9 | 493 | 7,288 | 5,190 | 12,980 |
| Disposals/Written off | – | – | (522) | – | – | (522) |
| Transfer in/(out) | – | – | 8,443 | – | (8,443) | – |
| Revaluation adjustments | 2,717 | 1,437 | – | – | – | 4,154 |
| Exchange differences | – | – | 24 | – | – | 24 |
| At 31 December 2015 | 27,377 | 21,590 | 93,693 | 16,624 | 890 | 160,174 |
| Representing: | | | | | | |
| - At cost | – | – | 93,693 | 16,624 | 890 | 111,207 |
| - At valuation | 27,377 | 21,590 | – | – | – | 48,967 |
| At 31 December 2015 | 27,377 | 21,590 | 93,693 | 16,624 | 890 | 160,174 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 January 2015 | – | – | 52,966 | 2,107 | – | 55,073 |
| Depreciation charge for the year (Note 4) | – | 686 | 5,731 | 975 | – | 7,392 |
| Disposals/Written off | – | – | (522) | – | – | (522) |
| Elimination of accumulated depreciation on revaluation | – | (686) | – | – | – | (686) |
| Exchange differences | – | – | 24 | – | – | 24 |
| At 31 December 2015 | – | – | 58,199 | 3,082 | – | 61,281 |
| **Net carrying amount** | | | | | | |
| - At cost | – | – | 35,494 | 13,542 | 890 | 49,926 |
| - At valuation | 27,377 | 21,590 | – | – | – | 48,967 |
| At 31 December 2015 | 27,377 | 21,590 | 35,494 | 13,542 | 890 | 98,893 |

## 15. Property, plant and equipment (cont'd)

| Group | Freehold land RM'000 | Buildings RM'000 | Plant, equipment, vehicles and furniture RM'000 | Mine restoration RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| At 1 January 2014 | | | | | | |
| - At cost | – | – | 87,064 | 9,336 | 1,064 | 97,464 |
| - At valuation | 21,906 | 19,955 | – | – | – | 41,861 |
| | 21,906 | 19,955 | 87,064 | 9,336 | 1,064 | 139,325 |
| Additions | – | 102 | 270 | – | 8,669 | 9,041 |
| Disposals/Written off | – | – | (3,817) | – | – | (3,817) |
| Transfer in/(out) | – | 418 | 5,172 | – | (5,590) | – |
| Sale of a subsidiary (Note 18(b)) | – | (1,120) | (3,375) | – | – | (4,495) |
| Revaluation adjustments | 2,754 | 813 | – | – | – | 3,567 |
| Exchange differences | – | (24) | (59) | – | – | (83) |
| At 31 December 2014 | 24,660 | 20,144 | 85,255 | 9,336 | 4,143 | 143,538 |
| Representing: | | | | | | |
| - At cost | – | – | 85,255 | 9,336 | 4,143 | 98,734 |
| - At valuation | 24,660 | 20,144 | – | – | – | 44,804 |
| At 31 December 2014 | 24,660 | 20,144 | 85,255 | 9,336 | 4,143 | 143,538 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 January 2014 | – | – | 55,149 | 1,655 | – | 56,804 |
| Depreciation charge for the year | – | 707 | 5,059 | 452 | – | 6,218 |
| - Continuing (Note 4) | – | 642 | 5,049 | 452 | – | 6,143 |
| - Discontinued (Notes 4/18(b)) | – | 65 | 10 | – | – | 75 |
| Disposals/Written off | – | – | (3,813) | – | – | (3,813) |
| Sale of a subsidiary (Note 18(b)) | – | (68) | (3,368) | – | – | (3,436) |
| Elimination of accumulated depreciation on revaluation | – | (642) | – | – | – | (642) |
| Exchange differences | – | 3 | (61) | – | – | (58) |
| At 31 December 2014 | – | – | 52,966 | 2,107 | – | 55,073 |
| **Net carrying amount** | | | | | | |
| - At cost | – | – | 32,289 | 7,229 | 4,143 | 43,661 |
| - At valuation | 24,660 | 20,144 | – | – | – | 44,804 |
| At 31 December 2014 | 24,660 | 20,144 | 32,289 | 7,229 | 4,143 | 88,465 |

Included in the Group's additions to property, plant and equipment is an amount of RM7,288,000 (2014: Nil) relating to provision for mine restoration costs as disclosed in Note 27.

## 15. Property, plant and equipment (cont'd)

| Company | Buildings | Plant, equipment, vehicles and furniture | Capital work-in-progress | Total |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cost or Valuation** | | | | |
| At 1 January 2015 | | | | |
| - At cost | – | 54,194 | 4,139 | 58,333 |
| - At valuation | 9,976 | – | – | 9,976 |
| | 9,976 | 54,194 | 4,139 | 68,309 |
| Additions | – | – | 5,190 | 5,190 |
| Disposals/Written off | – | (147) | – | (147) |
| Transfer in/(out) | – | 8,443 | (8,443) | – |
| Revaluation adjustments | 1,174 | – | – | 1,174 |
| At 31 December 2015 | 11,150 | 62,490 | 886 | 74,526 |
| Representing: | | | | |
| - At cost | – | 62,490 | 886 | 63,376 |
| - At valuation | 11,150 | – | – | 11,150 |
| At 31 December 2015 | 11,150 | 62,490 | 886 | 74,526 |
| **Accumulated depreciation and impairment losses** | | | | |
| At 1 January 2015 | – | 37,638 | – | 37,638 |
| Depreciation charge for the year (Note 4) | 276 | 3,203 | – | 3,479 |
| Disposals/Written off | – | (147) | – | (147) |
| Elimination of accumulated depreciation on revaluation | (276) | – | – | (276) |
| At 31 December 2015 | – | 40,694 | – | 40,694 |
| **Net carrying amount** | | | | |
| - At cost | – | 21,796 | 886 | 22,682 |
| - At valuation | 11,150 | – | – | 11,150 |
| At 31 December 2015 | 11,150 | 21,796 | 886 | 33,832 |

**15. Property, plant and equipment (cont'd)**

| Company | Buildings | Plant, equipment, vehicles and furniture | Capital work-in-progress | Total |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cost or Valuation** | | | | |
| At 1 January 2014 | | | | |
| - At cost | – | 54,261 | 648 | 54,909 |
| - At valuation | 9,200 | – | – | 9,200 |
| | 9,200 | 54,261 | 648 | 64,109 |
| Additions | – | – | 7,165 | 7,165 |
| Disposals/Written off | – | (3,741) | – | (3,741) |
| Transfer in/(out) | – | 3,674 | (3,674) | – |
| Revaluation adjustments | 776 | – | – | 776 |
| At 31 December 2014 | 9,976 | 54,194 | 4,139 | 68,309 |
| Representing: | | | | |
| - At cost | – | 54,194 | 4,139 | 58,333 |
| - At valuation | 9,976 | – | – | 9,976 |
| At 31 December 2014 | 9,976 | 54,194 | 4,139 | 68,309 |
| **Accumulated depreciation and impairment losses** | | | | |
| At 1 January 2014 | – | 38,873 | – | 38,873 |
| Depreciation charge for the year (Note 4) | 254 | 2,506 | – | 2,760 |
| Disposals/Written off | – | (3,741) | – | (3,741) |
| Elimination of accumulated depreciation on revaluation | (254) | – | – | (254) |
| At 31 December 2014 | – | 37,638 | – | 37,638 |
| **Net carrying amount** | | | | |
| - At cost | – | 16,556 | 4,139 | 20,695 |
| - At valuation | 9,976 | – | – | 9,976 |
| At 31 December 2014 | 9,976 | 16,556 | 4,139 | 30,671 |

## 15. Property, plant and equipment (cont'd)

**Group**

Freehold land and buildings owned by the Group were revalued in 2015 by the directors based on valuation carried out by an independent firm of professional valuers as follows:

| | Date of valuation | Description of property | Valuation Amount RM'000 |
|---|---|---|---|
| (i) | 31 Dec 2015 | Land and tin smelting industrial complex in Butterworth | **35,418** |
| (ii) | 31 Dec 2015 | Office lots in Kuala Lumpur | **6,750** |
| (iii) | 31 Dec 2015 | 80 units flats in Bukit Mertajam | **4,400** |
| (iv) | 31 Dec 2015 | Land and buildings in Daerah Hulu Perak | **2,399** |
| | | | **48,967** |

Further details on the valuation are disclosed in Note 39(a).

Had the revalued properties been carried at historical cost less accumulated depreciation and accumulated impairment losses, if any, the net carrying amount of each class of the properties that would have been included in the financial statements of the Group and of the Company at the reporting date would be as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2015 RM'000 | 31.12.2014 RM'000 | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| Freehold land | **9,339** | 9,339 | **–** | – |
| Buildings | **8,844** | 9,342 | **5,481** | 5,683 |

## 16. Prepaid land lease payments

| Group | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| **Leasehold land** | | |
| At 1 January | **839** | 1,214 |
| Additions | **–** | 200 |
| Exchange translation differences | **–** | (12) |
| Amortisation for the year | **(33)** | (42) |
| - Continuing (Note 4) | **(33)** | (33) |
| - Discontinued (Notes 4/18(b)) | **–** | (9) |
| Sale of a subsidiary (Note 18(b)) | **–** | (521) |
| At 31 December | **806** | 839 |
| Analysed as: | | |
| Long term leasehold land | **510** | 519 |
| Short term leasehold land | **296** | 320 |
| | **806** | 839 |
| Amount to be amortised: | | |
| - Not later than one year | **33** | 33 |
| - Later than one year but not later than five years | **131** | 131 |
| - Later than five years | **642** | 675 |
| | **806** | 839 |

The long term leasehold land has unexpired lease periods of between 53 and 97 years (2014: 54 and 98 years). The short term leasehold land has unexpired lease periods of between 7 and 13 years (2014: 8 and 14 years).

## 17. Intangible assets

| Group | Goodwill RM'000 | Mining rights RM'000 | Corporate club memberships RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2015/31 December 2015 | **657** | **21,817** | **1,078** | **23,552** |
| At 1 January 2014 | 657 | 20,381 | 863 | 21,901 |
| Acquisition of a subsidiary (Note 18(a)) | – | 1,436 | – | 1,436 |
| Additions | – | – | 215 | 215 |
| At 31 December 2014 | 657 | 21,817 | 1,078 | 23,552 |
| **Accumulated amortisation and impairment losses** | | | | |
| At 1 January 2015 | **657** | **13,735** | **292** | **14,684** |
| Amortisation for the year (Note 4) | **–** | **890** | **48** | **938** |
| At 31 December 2015 | **657** | **14,625** | **340** | **15,622** |
| At 1 January 2014 | 657 | 12,842 | 245 | 13,744 |
| Amortisation for the year (Note 4) | – | 893 | 47 | 940 |
| At 31 December 2014 | 657 | 13,735 | 292 | 14,684 |
| **Net carrying amount** | | | | |
| At 31 December 2015 | **–** | **7,192** | **738** | **7,930** |
| At 31 December 2014 | – | 8,082 | 786 | 8,868 |

| Company | Corporate club membership RM'000 |
|---|---|
| **Cost** | |
| At 1 January 2015/31 December 2015 | **215** |
| At 1 January 2014 | **–** |
| Additions | 215 |
| At 31 December 2014 | 215 |
| **Accumulated amortisation and impairment losses** | |
| At 1 January 2015 | **2** |
| Amortisation for the year (Note 4) | **3** |
| At 31 December 2015 | **5** |
| At 1 January 2014 | – |
| Amortisation for the year (Note 4) | 2 |
| At 31 December 2014 | 2 |
| **Net carrying amount** | |
| At 31 December 2015 | **210** |
| At 31 December 2014 | 213 |

## 17. Intangible assets (cont'd)

Goodwill

Details of goodwill arising from acquisition of the subsidiary were as follows:

| Subsidiary | Amount RM'000 | Year of acquisition |
|---|---|---|
| Straits Resource Management Private Limited ("SRM") | 657 | 2010 |

The recoverable amount of the goodwill was determined based on higher of value in use and fair value less costs to sell. Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired.

The recoverable amount of goodwill arising from the acquisition of SRM was determined based on fair value less costs to sell. Based on the impairment assessment carried out by the management, the goodwill arising from the acquisition of SRM had been fully impaired as at 31 December 2010.

Mining rights

These consist of the mining rights of Rahman Hydraulic Tin Sdn. Bhd. ("RHT") and SL Tin Sdn. Bhd. ("SL Tin"). Based on the assessment and review carried out by the management, there is no indication of impairment in the mining rights of RHT and SL Tin.

## 18. Investment in subsidiaries

| Company | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
|---|---|---|
| Unquoted shares, at cost | **148,681** | 148,681 |

**18. Investment in subsidiaries (cont'd)**

Details of the subsidiaries of the Group and the Company are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest held by the Group^ | | Proportion of ownership interest held by non-controlling interests^ | |
|---|---|---|---|---|---|---|
| | | | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| **Held by the Company:** | | | % | % | % | % |
| Malaysia Smelting Corporation (Warehousing) Sdn. Bhd.* | Malaysia | Tin warehousing | **100** | 100 | **–** | – |
| Rahman Hydraulic Tin Sdn. Bhd.* ("RHT") | Malaysia | Tin mining | **100** | 100 | **–** | – |
| MSC Properties Sdn. Bhd.* | Malaysia | Property holding and rental | **100** | 100 | **–** | – |
| Straits Resource Management Private Limited ("SRM")** | Singapore | Investment holding | **100** | 100 | **–** | – |
| **Held through subsidiaries:** | | | | | | |
| **Held by RHT** | | | | | | |
| SL Tin Sdn. Bhd. ("SL Tin")*** (Note 18(a)) | Malaysia | Tin mining | **80#** | 80# | **20** | 20 |
| **Held by SRM** | | | | | | |
| PT SRM Indonesia ("PT SRM")*** | Indonesia | Dormant | **99#** | 99# | **1** | 1 |

^ equals to the proportion of voting rights held
* Audited by Ernst & Young, Malaysia
** Audited by member firm of Ernst & Young Global in the respective country
*** Audited by firms of auditors other than Ernst & Young
\# Indirect interest

The non-controlling interests in respect of SL Tin and PT SRM are not material to the Group.

## 18. Investment in subsidiaries (cont'd)

### (a) Acquisition of a subsidiary

On 11 March 2014, the Company's wholly owned subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT") entered into a Share Sale Agreement and Shareholders' Agreement for the acquisition of an 80% equity interest in SL Tin Sdn. Bhd. ("SL Tin") for a purchase consideration of RM500,000.

After the acquisition, SL Tin became an 80% owned subsidiary of RHT.

The acquisition of SL Tin had contributed the following results to the Group from the date of acquisition:

| | Group 2014 RM'000 |
|---|---|
| Revenue | – |
| Profit before tax from continuing operations | 10 |

If the acquisition had occurred on 1 January 2014, the Group's profit before tax from continuing operations for the year ended 31 December 2014, would have been reduced by RM14,000. There was no revenue from SL Tin in 2014.

Transaction costs of RM2,000 related to the acquisition were expensed and included in "other expenses" line item in the Group's profit or loss for the year ended 31 December 2014.

<u>Assets acquired and liabilities assumed</u>

The identifiable assets and liabilities of SL Tin as at the date of acquisition were:

| | Group 2014 RM'000 |
|---|---|
| **Assets** | |
| Intangible assets – mining rights (Note 17) | 1,436 |
| Other non-current assets – deferred mine exploration and evaluation expenditures (Note 21) | 37 |
| Other receivables | 75 |
| Cash and cash equivalents | 22 |
| | 1,570 |
| **Liabilities** | |
| Other payables | (76) |
| Net assets acquired | 1,494 |
| Less: Non-controlling interest (20% of net assets) | (299) |
| Total cost of acquisition | 1,195 |
| Less: Portion discharged by advances to SL Tin prior to acquisition | (695) |
| Purchase consideration | 500 |

## 18. Investment in subsidiaries (cont'd)

### (a) Acquisition of a subsidiary (cont'd)

The cash outflow arising on acquisition is as follows:

| | Group 2014 RM'000 |
|---|---|
| Net cash acquired | 22 |
| Cash paid | (500) |
| Net cash outflow | (478) |

### (b) Sale of a subsidiary classified as discontinued operation

On 1 June 2014, the Company entered into a sale and purchase agreement with PT Bangka Timah Utama and Mr Eddy Dayanto to sell its entire interest in PT MSC Indonesia ("PT MSCI") for a consideration of USD1.00. Its results were presented separately on the consolidated income statement as "Loss from discontinued operations, net of tax" for year 2014.

Following the sale which was completed on 2 June 2014, PT MSCI ceased to be a subsidiary of the Group. All the assets and liabilities of PT MSCI were de-consolidated from the consolidated financial statements of the Group from the date of sale.

The sale had the following effects on the financial performance of the Group:

| | Group 2014 RM'000 (Note a) |
|---|---|
| Other loss | (737) |
| Employee benefits expense | (148) |
| Depreciation expense (Note 15) | (75) |
| Amortisation expense (Note 16) | (9) |
| Other expenses | (2,369) |
| Loss on sale of PT MSCI | (3,504) |
| Total expense | (6,105) |
| Loss before tax/Loss from discontinued operation, net of tax (Note 4) | (6,842) |

**18. Investment in subsidiaries (cont'd)**

**(b) Sale of a subsidiary classified as discontinued operation (cont'd)**

The following items have been included in arriving at loss before tax from discontinued operation:

| | Group<br>2014<br>RM'000<br>(Note a) |
|---|---|
| Employee benefits expense | |
| - Wages and salaries | 176 |
| - Severance benefits (Note 27) | (31) |
| - Other benefits | 3 |
| | 148 |

Statement of cash flows disclosures

| | Group<br>2014<br>RM'000<br>(Note a) |
|---|---|
| Operating/Net cash outflow | (171) |

Note a: The results were from 1 January 2014 to the date of sale.

**18. Investment in subsidiaries (cont'd)**

**(b) Sale of a subsidiary classified as discontinued operation (cont'd)**

The sale had the following effects on the financial position of the Group:

| | Group 31.12.2014 RM'000 |
|---|---|
| Property, plant and equipment (Note 15) | 1,059 |
| Prepaid land lease payments (Note 16) | 521 |
| Inventories | 470 |
| Trade and other receivables | 3,389 |
| Cash and cash equivalents | 22 |
| Provisions (Note 27) | (202) |
| Trade and other payables | (5,350) |
| Deferred tax liabilities (Note 33) | (110) |
| Foreign currency translation reserves reclassified to profit or loss | 3,705 |
| Revaluation reserves transferred to retained earnings (Note 31) | (193) |
| | 3,311 |
| Total sale proceeds (USD1.00) | – |
| Loss on sale of PT MSCI | 3,311 |
| | |
| Recognised in profit or loss | 3,504 |
| Revaluation reserves transferred to retained earnings | (193) |
| | 3,311 |

The cash outflow arising on sale is as follows:

| | Group 2014 RM'000 |
|---|---|
| Consideration settled in cash (USD1.00) | – |
| Less: Cash and cash equivalents of PT MSCI disposed | (22) |
| Net cash outflow | (22) |

## 18. Investment in subsidiaries (cont'd)

### (b) Sale of a subsidiary classified as discontinued operation (cont'd)

The sale had the following effects on the financial position of the Company:

| | Company 31.12.2014 RM'000 |
|---|---|
| **Assets:** | |
| Investment in subsidiaries | |
| Unquoted shares, at cost | 17,872 |
| Less: Accumulated impairment losses | (17,872) |
| | – |
| Total sale proceeds (USD1.00) | – |
| No gain and no loss on sale of PT MSCI | – |

## 19. Investment in associates and joint ventures

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2015 RM'000 | 31.12.2014 RM'000 | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| **Investment in associates** | | | | |
| **In Malaysia:** | | | | |
| Unquoted shares, at cost | **10,473** | 10,473 | **10,473** | 10,473 |
| Share of post-acquisition reserves | **14,432** | 12,500 | **–** | – |
| | **24,905** | 22,973 | **10,473** | 10,473 |
| **Outside Malaysia:** | | | | |
| Unquoted shares, at cost | **17,374** | 17,374 | **17,374** | 17,374 |
| Share of post-acquisition reserves | **(5,558)** | (5,558) | **–** | – |
| | **11,816** | 11,816 | **17,374** | 17,374 |
| Accumulated impairment losses | **(11,816)** | (11,816) | **(17,374)** | (17,374) |
| | **–** | – | **–** | – |
| | **24,905** | 22,973 | **10,473** | 10,473 |

## 19. Investment in associates and joint ventures (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2015 RM'000 | 31.12.2014 RM'000 | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| **Investment in joint ventures** | | | | |
| **In Malaysia:** | | | | |
| Unquoted shares, at cost | **44,421** | 44,421 | **44,421** | 44,421 |
| Share of post-acquisition reserves | **20,523** | 8,724 | **–** | – |
| | **64,944** | 53,145 | **44,421** | 44,421 |
| Accumulated impairment losses | **(5,380)** | (4,800) | **(8,291)** | (8,291) |
| | **59,564** | 48,345 | **36,130** | 36,130 |
| **Outside Malaysia:** | | | | |
| Unquoted shares, at cost | **1,274** | 1,274 | **1,274** | 1,274 |
| Share of post-acquisition reserves | **(1,274)** | (1,274) | **–** | – |
| | **–** | – | **1,274** | 1,274 |
| Accumulated impairment losses | **–** | – | **(1,274)** | – |
| | **–** | – | **–** | 1,274 |
| | **59,564** | 48,345 | **36,130** | 37,404 |
| **Total investment in associates and joint ventures** | **84,469** | 71,318 | **46,603** | 47,877 |

The Group has not recognised losses relating to Africa Smelting Corporation Sprl ("ASC") where its share of losses exceeds the Group's interest in this joint venture. The unrecognised share of losses of the Group at the reporting date were as follows:

| | Group | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Share of profit/(losses): | | |
| Current year | **40** | (263) |
| Cumulative | **(417)** | (457) |

The Group has no obligation in respect of these losses.

**19. Investment in associates and joint ventures (cont'd)**

**(i) Investment in associates**

Details of the associates of the Group and the Company are as follows:

| Name of associates | Country of incorporation | Principal activities | Proportion of ownership interest* 31.12.2015 % | Proportion of ownership interest* 31.12.2014 % | Accounting model applied |
|---|---|---|---|---|---|
| **Held by the Company:** | | | | | |
| Redring Solder (M) Sdn. Bhd. ("Redring") | Malaysia | Manufacture and sale of solder products | **40** | 40 | Equity method |
| Guilin Hinwei Tin Co Ltd. ("Guilin") | China | Dormant | **35** | 35 | Equity method |

* equals to the proportion of voting rights held

These associates have the same reporting period as the Group. No quoted market prices are available for the shares of Redring and Guilin as these are private companies.

Summarised financial information of Redring, a material associate is set out below. The summarised financial information represents the amounts in the financial statements of the associate and not the Group's share of those amounts.

Summarised statement of financial position

| | Redring 31.12.2015 RM'000 | Redring 31.12.2014 RM'000 |
|---|---|---|
| Non-current assets | **22,014** | 19,708 |
| Current assets | **46,738** | 43,498 |
| Total assets | **68,752** | 63,206 |
| Non-current liabilities | **211** | 174 |
| Current liabilities | **6,279** | 5,599 |
| Total liabilities | **6,490** | 5,773 |
| Net assets | **62,262** | 57,433 |

## 19. Investment in associates and joint ventures (cont'd)

### (i) Investment in associates (cont'd)

Summarised statement of comprehensive income

| | Redring | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Revenue | **67,775** | 78,951 |
| Profit before tax | **5,705** | 777 |
| Profit for the year | **4,853** | 626 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **4,853** | 626 |

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate:

| | Redring | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Net assets at 31 December | **62,262** | 57,433 |
| Interest in associate | **40%** | 40% |
| Carrying value of Group's interest in associate | **24,905** | 22,973 |

Aggregate information of associate that is not individually material

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| The Group's share of loss before tax | **–** | – |
| The Group's share of loss after tax | **–** | – |
| The Group's share of other comprehensive income | **–** | – |
| The Group's share of total comprehensive income | **–** | – |

**19. Investment in associates and joint ventures (cont'd)**

**(ii) Investment in joint ventures**

Details of the joint ventures of the Group and the Company are as follows:

| Name of joint ventures | Country of incorporation | Proportion of ownership interest* | | Nature of relationship | Accounting model applied |
|---|---|---|---|---|---|
| | | 31.12.2015 | 31.12.2014 | | |
| | | % | % | | |
| **Held by the Company:** | | | | | |
| KM Resources, Inc. ("KMR") | Labuan, Malaysia | **30** | 30 | Note (i) | Equity method |
| Africa Smelting Corporation Sprl ("ASC") | Democratic Republic of Congo | **40** | 40 | Note (ii) | Equity method |

* equals to the proportion of voting rights held

These joint ventures have the same reporting period as the Group. No quoted market prices are available for the shares of KMR and ASC as these are private companies.

(i) KMR is an investment holding company with subsidiaries in the Philippines involved in the mining and processing of copper, gold, zinc and silver. The subsidiaries in the Philippines have ceased the mining and processing operations due to depletion of mineral resources.

During the financial year ended 31 December 2015, the Group carried out a review of the recoverable amount of its investment in KMR. An impairment provision of RM580,000 (2014: RM4,200,000) was recognised in profit or loss of the Group. The recoverable amount was based on management's estimate of fair value less costs to sell.

(ii) The principal activity of ASC is the smelting of tin. The company is currently dormant.

**19. Investment in associates and joint ventures (cont'd)**

**(ii) Investment in joint ventures (cont'd)**

Summarised financial information of KMR Group, a material joint venture, is set out below. The summarised information represents the amounts in the financial statements of the joint venture and not the Group's share of those amounts.

Summarised statement of financial position

| | KMR Group | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| | **RM'000** | **RM'000** |
| Non-current assets | **27,045** | 24,270 |
| Cash and cash equivalents | **35,362** | 34,280 |
| Other current assets | **160,056** | 138,369 |
| Total current assets | **195,418** | 172,649 |
| Total assets | **222,463** | 196,919 |
| Trade and other payables and provisions | **3,475** | 8,525 |
| Current liabilities (excluding trade and other payables and provisions) | **–** | 545 |
| Total current liabilities | **3,475** | 9,070 |
| Trade and other payables and provisions | **2,413** | 10,686 |
| Non-current liabilities (excluding trade and other payables and provisions) | **95** | 12 |
| Total non-current liabilities | **2,508** | 10,698 |
| Total liabilities | **5,983** | 19,768 |
| Net assets | **216,480** | 177,151 |

## 19. Investment in associates and joint ventures (cont'd)

### (ii) Investment in joint ventures (cont'd)

Summarised statement of comprehensive income

| | KMR Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Revenue | **31** | 38,596 |
| Depreciation and amortisation | **(13)** | (8) |
| Interest income | **138** | 195 |
| Interest expense | **–** | (88) |
| Loss before tax | **(861)** | (13,180) |
| Income tax expense | **–** | (467) |
| Loss after tax | **(861)** | (13,647) |
| Non-controlling interest | **–** | 6,165 |
| Loss after tax - attributable to owners of the Company | **(861)** | (7,482) |
| Other comprehensive income | **40,191** | 25,733 |
| Total comprehensive income | **39,330** | 18,251 |
| Dividend declared and paid by the joint venture during the year | **–** | 97,715 |

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint venture:

| | KMR Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Net assets at 31 December | **216,480** | 177,151 |
| Interest in joint venture | **30%** | 30% |
| | **64,944** | 53,145 |
| Cumulative impairment | **(5,380)** | (4,800) |
| Carrying value of Group's interest in joint venture | **59,564** | 48,345 |

**19. Investment in associates and joint ventures (cont'd)**

**(ii) Investment in joint ventures (cont'd)**

Aggregate information of joint venture that is not individually material

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| The Group's share of loss before tax | **–** | – |
| The Group's share of loss after tax | **–** | – |
| The Group's share of other comprehensive income | **–** | – |
| The Group's share of total comprehensive income | **–** | – |

**20. Investment securities**

| **Group and Company** | **31.12.2015** | **31.12.2014** |
|---|---|---|
| | **RM'000** | **RM'000** |
| Available-for-sale ("AFS") investments: | | |
| - Quoted shares, at fair value | **12,930** | 7,792 |
| - Unquoted investment, at fair value | **–** | – |
| | **12,930** | 7,792 |

**(a) Quoted shares, at fair value**

These comprise the investment in Asian Mineral Resources Limited ("AMR") and Alphamin Resources Corp. ("Alphamin"), both incorporated in Canada and listed on Toronto Venture Exchange.

On 2 September 2015, the Company subscribed, via a private placement, for 12,350,000 equity units ("Units") in Alphamin for a total purchase consideration of approximately RM7.93 million. Each Unit (sold at a price of CAD0.20 per Unit) consists of one common share and one-third of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one additional common share of Alphamin at a price of CAD0.25 until 2 September 2016. The common shares sold including any shares issued on exercise of the Warrants, are subject to a four-month hold period in Canada which expired on 3 January 2016. The Company's shareholding interest in Alphamin has increased from 1.9% to 5.0% upon completion of the private placement.

During the financial year ended 31 December 2015, the Group and the Company recognised an impairment loss of RM329,000 (2014: RM93,000) in profit or loss, as there was a significant decline in the fair value of the investment in AMR.

**(b) Unquoted investment, at fair value**

This comprises the Company's 18.54% interest in TMR Ltd ("TMR"), a Bermuda incorporated company. TMR has 99% shareholding in PT Tenaga Anugerah ("PTTA"), which holds tin mining rights in Indonesia. TMR together with its subsidiary, PTTA, are principally involved in integrated tin business in Indonesia.

During the financial year ended 31 December 2013, the Group and the Company recognised a full impairment loss of RM9,133,000, being the remaining carrying value of the investment in profit or loss as the operations had been suspended and there is no indication that it would resume.

## 21. Other non-current assets

| Group | Deferred mine exploration and evaluation expenditures RM'000 | Mine properties RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2015 | **3,967** | **7,491** | **11,458** |
| Additions | **1,918** | **17** | **1,935** |
| Amortisation to profit or loss (Note 4) | **–** | **(1,011)** | **(1,011)** |
| Expensed off to profit or loss | **(7)** | **–** | **(7)** |
| At 31 December 2015 | **5,878** | **6,497** | **12,375** |
| At 1 January 2014 | 48 | 7,163 | 7,211 |
| Acquisition of a subsidiary (Note 18(a)) | 37 | – | 37 |
| Additions | 3,882 | 1,167 | 5,049 |
| Amortisation to profit or loss (Note 4) | – | (839) | (839) |
| At 31 December 2014 | 3,967 | 7,491 | 11,458 |

Deferred mine exploration and evaluation expenditures and mine properties represent expenditures incurred on several areas of interest. The 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 permits a reasonable assessment of the existence of economically recoverable ore reserves and resources.

## 22. Disposal group classified as held for sale and discontinued operation

On 1 June 2014, the Company entered into a sale and purchase agreement with Berkeley Kensington Group Limited to sell its entire interest in Bemban Corporation Ltd. ("BCL") Group ((comprising BCL, Kajuara Mining Corporation Pty. Ltd. ("KMC"), PT Koba Tin ("Koba Tin") and PT Bangka Resources ("PT Bangka")) for a total consideration of USD1.00 million (RM3.24 million based on RM/USD exchange rate of RM3.236). Its results are presented separately on the consolidated income statement as "Loss from discontinued operations, net of tax" for year 2014.

Following the sale which was completed on 2 June 2014, BCL, KMC, Koba Tin and PT Bangka ceased to be subsidiaries of the Group. All the assets and liabilities of the BCL Group were de-consolidated from the Consolidated Financial Statements of the Group from the date of sale.

**22. Disposal group classified as held for sale and discontinued operation (cont'd)**

The sale had the following effects on the financial performance of the Group:

| | **Group 2014 RM'000 (Note a)** |
|---|---|
| Other loss | (88) |
| Employee benefits expense | (47) |
| Other expenses | (310) |
| Loss on sale of BCL Group | (25,343) |
| Total expense | (25,700) |
| Loss before tax/Loss from discontinued operation, net of tax (Note 4) | (25,788) |
| **Attributable to:** | |
| Owners of the Company | (25,681) |
| Non-controlling interests | (107) |
| | (25,788) |

The following items have been included in arriving at loss before tax from discontinued operation:

| | **Group 2014 RM'000 (Note a)** |
|---|---|
| Employee benefits expense | |
| - Wages and salaries | 394 |
| - Severance benefits | (347) |
| | 47 |

**22. Disposal group classified as held for sale and discontinued operation (cont'd)**

Statement of cash flows disclosures

| | Group<br>2014<br>RM'000<br>(Note a) |
|---|---|
| Operating/Net cash inflows | 694 |

For financial year ended 31 December 2014, included in the net cash generated from operating activities were payment for severance benefits amounting to RM5,490,000.

Note a: The results were from 1 January 2014 to the date of sale.

The sale had the following effects on the financial position of the Group:

| | Group<br>31.12.2014<br>RM'000 |
|---|---|
| Property, plant and equipment | 3,009 |
| Other receivables – mine closure deposits | 53,811 |
| Inventories | 65,986 |
| Other receivables | 571 |
| Cash and cash equivalents | 751 |
| Provisions | (74,236) |
| Trade and other payables | (66,757) |
| Derecognition of non-controlling interests | 41,286 |
| Foreign currency translation reserves reclassified to profit or loss | 4,158 |
| | 28,579 |
| Total sale proceeds | (3,236) |
| Loss on sale of BCL Group to the Group (Note 4) | 25,343 |

**22. Disposal group classified as held for sale and discontinued operation (cont'd)**

Sale consideration:

| | Group 2014 RM'000 |
|---|---|
| Consideration settled in cash | 1,309 |
| Receivable | 1,927 |
| Total consideration | 3,236 |

The cash inflow arising on sale is as follows:

| | Group 2014 RM'000 |
|---|---|
| Consideration settled in cash | 1,309 |
| Less: Cash and cash equivalents of BCL Group disposed | (751) |
| Net cash inflow | 558 |

The sale had the following effects on the financial position of the Company:

| | Company 31.12.2014 RM'000 |
|---|---|
| **Non-current assets classified as held for sale:** | |
| Investment in subsidiaries | |
| Unquoted shares, at cost | 56,875 |
| Less: Accumulated impairment losses | (56,875) |
| | – |
| Total sale proceeds | (3,236) |
| Gain on sale of BCL Group to the Company (Note 7) | (3,236) |

## 23. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2015** | **31.12.2014** | **31.12.2015** | **31.12.2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At cost: | | | | |
| Inventories of tin-in-concentrates, tin-in-process and refined tin metal | **250,188** | 239,501 | **239,920** | 240,400 |
| Other inventories (stores, spares, fuels, coal and saleable by-products) | **18,927** | 14,451 | **14,889** | 11,117 |
| | **269,115** | 253,952 | **254,809** | 251,517 |

## 24. Trade and other receivables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **31.12.2015** | **31.12.2014** | **31.12.2015** | **31.12.2014** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Non-current** | | | | | |
| **Other receivables** | | | | | |
| Joint venture | (i) | **7,336** | 7,334 | **7,336** | 7,334 |
| Allowance for impairment | | | | | |
| - Joint venture | | **(1,699)** | (1,352) | **(1,699)** | (1,352) |
| Other receivables, net | | **5,637** | 5,982 | **5,637** | 5,982 |
| **Current** | | | | | |
| **Trade receivables** | | | | | |
| Third parties | | **146,405** | 108,954 | **146,403** | 108,953 |
| Associate | (ii) | **4,280** | 1,627 | **4,280** | 1,627 |
| | | **150,685** | 110,581 | **150,683** | 110,580 |
| Allowance for impairment | | | | | |
| - Third parties | | **(684)** | (12,629) | **(684)** | (12,629) |
| Trade receivables, net | | **150,001** | 97,952 | **149,999** | 97,951 |

## 24. Trade and other receivables (cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **31.12.2015** | **31.12.2014** | **31.12.2015** | **31.12.2014** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Other receivables** | | | | | |
| Third parties | | **16,119** | 15,886 | **15,589** | 15,820 |
| Subsidiaries | (iii) | **–** | – | **15,657** | 16,477 |
| Joint ventures | | **59** | 59 | **59** | 59 |
| | | **16,178** | 15,945 | **31,305** | 32,356 |
| Allowance for impairment | | | | | |
| - Third parties | | **(4,200)** | (8,811) | **(4,200)** | (8,811) |
| Other receivables, net | | **11,978** | 7,134 | **27,105** | 23,545 |
| **Deposits** | | **541** | 545 | **844** | 817 |
| | | **12,519** | 7,679 | **27,949** | 24,362 |
| Total trade and other receivables **(current)** | | **162,520** | 105,631 | **177,948** | 122,313 |
| Total trade and other receivables **(current and non-current)** excluding **deposits** | | **167,616** | 111,068 | **182,741** | 127,478 |
| Add: **Cash, bank balances and deposits** (Note 26) | | **133,874** | 118,311 | **99,778** | 74,390 |
| **Total loans and receivables** | | **301,490** | 229,379 | **282,519** | 201,868 |

### Credit risk

The Group's and the Company's normal trade credit terms range from cash term to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Other information on credit risk are disclosed in Note 38(d).

**(i) Amount due from a joint venture**

The amount is due from Africa Smelting Corporation Sprl. This is an unsecured term loan, currently interest free. Interest will be charged at 10% per annum from date of commencement of production. This term loan is repayable in 12 equal quarterly instalments commencing 12 months after date of commencement of production. The estimated date of commencement of production is 1 January 2018.

**(ii) Amount due from an associate**

These are unsecured, interest free and subject to the Group's and the Company's normal credit terms which range from cash term to 90 days.

## 24. Trade and other receivables (cont'd)

**Credit risk (cont'd)**

**(iii) Amounts due from subsidiaries**

These are unsecured and repayable on demand and include advances amounting to RM15.62 million (2014: RM16.48 million) where interest rate of 3.0% (2014: 3.0%) per annum is charged.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks of receivables are disclosed in Note 38.

The age analysis of non-current and current trade and other receivables (excluding deposits) is as follows:

| | Gross RM'000 | Allowance for impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **Group** | | | |
| **At 31 December 2015** | | | |
| Not past due | **162,361** | **1,699** | **160,662** |
| Past due: | | | |
| Less than 30 days | **–** | **–** | **–** |
| 30 to 60 days | **1,689** | **–** | **1,689** |
| 61 to 90 days | **3,597** | **–** | **3,597** |
| 91 to 120 days | **19** | **–** | **19** |
| More than 120 days | **6,533** | **4,884** | **1,649** |
| | **11,838** | **4,884** | **6,954** |
| Total | **174,199** | **6,583** | **167,616** |
| **At 31 December 2014** | | | |
| Not past due | 104,855 | 1,352 | 103,503 |
| Past due: | | | |
| Less than 30 days | – | – | – |
| 30 to 60 days | 3,768 | – | 3,768 |
| 61 to 90 days | 300 | – | 300 |
| 91 to 120 days | 30 | – | 30 |
| More than 120 days | 24,907 | 21,440 | 3,467 |
| | 29,005 | 21,440 | 7,565 |
| Total | 133,860 | 22,792 | 111,068 |

## 24. Trade and other receivables (cont'd)

| | Gross RM'000 | Allowance for impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **Company** | | | |
| **At 31 December 2015** | | | |
| Not past due | **177,486** | **1,699** | **175,787** |
| Past due: | | | |
| Less than 30 days | **–** | **–** | **–** |
| 30 to 60 days | **1,689** | **–** | **1,689** |
| 61 to 90 days | **3,597** | **–** | **3,597** |
| 91 to 120 days | **19** | **–** | **19** |
| More than 120 days | **6,533** | **4,884** | **1,649** |
| | **11,838** | **4,884** | **6,954** |
| Total | **189,324** | **6,583** | **182,741** |
| **At 31 December 2014** | | | |
| Not past due | 121,265 | 1,352 | 119,913 |
| Past due: | | | |
| Less than 30 days | – | – | – |
| 30 to 60 days | 3,768 | – | 3,768 |
| 61 to 90 days | 300 | – | 300 |
| 91 to 120 days | 30 | – | 30 |
| More than 120 days | 24,907 | 21,440 | 3,467 |
| | 29,005 | 21,440 | 7,565 |
| Total | 150,270 | 22,792 | 127,478 |

**Receivables that are neither past due nor impaired**

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

At the reporting date, the Group and the Company have trade receivables arising from export sales amounting to RM13,267,000 (2014: RM8,501,000) which are to be settled via letters of credit issued by reputable banks in the countries where the customers are based.

**Receivables that are past due but not impaired**

Both the Group and the Company have trade and other receivables amounting to RM6,954,000 (2014: RM5,924,000 for the Group and the Company) that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are mostly due from creditworthy customers.

## 24. Trade and other receivables (cont'd)

**Receivables that are impaired**

The Group's and the Company's trade and other receivables that are impaired at the reporting date and the movements of allowance accounts used to record the impairment were as follows:

| | Group/Company Individually impaired | |
|---|---|---|
| | 31.12.2015 | 31.12.2014 |
| | RM'000 | RM'000 |
| Trade and other receivables- nominal amounts | **12,220** | 30,415 |
| Less: Allowance for impairment | **(6,583)** | (22,792) |
| | **5,637** | 7,623 |

Movement in the allowance accounts:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | **22,792** | 45,161 | **22,792** | 183,609 |
| Impairment for the year (Note11) | **5,824** | 6,164 | **5,824** | 7,024 |
| Amounts written off | **(22,033)** | (10,859) | **(22,033)** | (163,032) |
| Sale of a subsidiary | **–** | (16,364) | **–** | – |
| Exchange adjustment | **–** | (1,310) | **–** | (4,809) |
| At 31 December | **6,583** | 22,792 | **6,583** | 22,792 |

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

## 25. Other current assets

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Prepaid operating expenses | **3,027** | 1,562 | **2,640** | 1,500 |

**26. Cash, bank balances and deposits**

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2015** | **31.12.2014** | **31.12.2015** | **31.12.2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cash on hand and at banks | **8,806** | 6,622 | **5,039** | 3,498 |
| Deposits of up to three months maturity with licensed banks | **118,385** | 110,314 | **91,290** | 69,517 |
| | **127,191** | 116,936 | **96,329** | 73,015 |
| Deposit of more than three months maturity with licensed banks | **6,683** | 1,375 | **3,449** | 1,375 |
| | **133,874** | 118,311 | **99,778** | 74,390 |

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between 1 day and 12 months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2015 for the Group and the Company were 3.0% (2014: 3.1%) and 2.8% (2014: 3.0%) per annum, respectively.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2015** | **31.12.2014** | **31.12.2015** | **31.12.2014** |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Cash on hand and at banks | **8,806** | 6,622 | **5,039** | 3,498 |
| Deposits of up to three months maturity with licensed banks | **118,385** | 110,314 | **91,290** | 69,517 |
| Cash and cash equivalents | **127,191** | 116,936 | **96,329** | 73,015 |

**27. Provisions**

| Group | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
|---|---|---|
| Severance benefits | – | – |
| Mine rehabilitation | – | – |
| Mine restoration | **18,000** | 10,350 |
| | **18,000** | 10,350 |
| Provision for financial guarantee | **9,635** | 10,505 |
| | **27,635** | 20,855 |
| Current | **9,635** | 10,505 |
| Non-current | **18,000** | 10,350 |
| **Company** | | |
| Current: | | |
| Provision for financial guarantee | **9,635** | 10,505 |

| Group | Severance benefits RM'000 | Mine rehabilitation RM'000 | Mine restoration RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January 2015 | **–** | **–** | **10,350** | **10,350** |
| Provision during the year (Note 15) | **–** | **–** | **7,288** | **7,288** |
| Unwinding of discount on provision (Note 9) | **–** | **–** | **362** | **362** |
| At 31 December 2015 | **–** | **–** | **18,000** | **18,000** |
| At 1 January 2014 | 546 | 105 | 10,000 | 10,651 |
| Provision during the year, net | 3 | – | – | 3 |
| - Continuing (Note 4) | 34 | – | – | 34 |
| - Discontinued (Note 18(b)) | (31) | – | – | (31) |
| Unwinding of discount on provision (Note 9) | – | – | 350 | 350 |
| Paid/Utilised during the year | (420) | – | – | (420) |
| Sale of a subsidiary (Note 18(b)) | (100) | (102) | – | (202) |
| Exchange differences | (29) | (3) | – | (32) |
| At 31 December 2014 | – | – | 10,350 | 10,350 |

## 27. Provisions (cont'd)

| Group | Severance benefits RM'000 | Mine rehabilitation RM'000 | Mine restoration RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 31 December 2015** | | | | |
| Current | – | – | – | – |
| Non-current: | | | | |
| Later than 1 year but not later than 2 years | – | – | – | – |
| Later than 2 years but not later than 5 years | – | – | – | – |
| Later than 5 years | – | – | 18,000 | 18,000 |
| | – | – | 18,000 | 18,000 |
| | – | – | 18,000 | 18,000 |
| **At 31 December 2014** | | | | |
| Current | – | – | – | – |
| Non-current: | | | | |
| Later than 1 year but not later than 2 years | – | – | – | – |
| Later than 2 years but not later than 5 years | – | – | – | – |
| Later than 5 years | – | – | 10,350 | 10,350 |
| | – | – | 10,350 | 10,350 |
| | – | – | 10,350 | 10,350 |

### (a) Severance benefits

A subsidiary operated an unfunded Severance Benefits Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible permanent employees confirmed in service may be entitled to severance benefits on attainment of the normal retirement age or early retirement due to ill-health. The obligations under the Scheme are determined based on actuarial valuation. During the financial year ended 31 December 2014, the Scheme was discontinued and the amount due to each employee was paid to the employee's account with the Employees' Provident Fund ("EPF").

The amounts attributable to continuing operations that recognised in profit or loss were as follows:

| | Group 2015 RM'000 | Group 2014 RM'000 |
|---|---|---|
| Current service cost | – | 34 |
| Interest cost | – | – |
| Past services costs | – | – |
| Total, included in employee benefits expense (Note 8) | – | 34 |

**27. Provisions (cont'd)**

**(a) Severance benefits (cont'd)**

Movements in the net liability are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| At 1 January | – | 546 |
| Recognised in profit or loss | – | 3 |
| - Continuing (Note 4) | – | 34 |
| - Discontinued | | |
| - Subsidiary (Note 18(b)) | – | (31) |
| Contribution paid | – | (420) |
| Sale of a subsidiary | – | (100) |
| Exchange differences | – | (29) |
| At 31 December | – | – |

**(b) Mine restoration**

This is in respect of provision for mine restoration costs 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.

**28. Borrowings**

| | Group/Company | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| | **RM'000** | **RM'000** |
| **Short term borrowings** | | |
| Unsecured: | | |
| Short term trade financing | **17,584** | 25,840 |
| Bankers' acceptances | **368,078** | 289,072 |
| Term loan | **6,387** | 21,009 |
| | **392,049** | 335,921 |
| **Long term borrowings** | | |
| Unsecured: | | |
| Term loan | – | 5,208 |
| **Total borrowings** | | |
| Unsecured: | | |
| Short term trade financing | **17,584** | 25,840 |
| Bankers' acceptances | **368,078** | 289,072 |
| Term loan | **6,387** | 26,217 |
| | **392,049** | 341,129 |

**28. Borrowings (cont'd)**

**Term loan: Bank's Cost of Funds + 2.25% per annum**

The term loan is denominated in US Dollar and repayable by 12 quarterly principal repayments commencing on 27 June 2013.

The remaining maturities of the borrowings at the reporting date are as follows:

| | Group/Company | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| | **RM'000** | **RM'000** |
| On demand or within one year | **392,049** | 335,921 |
| More than 1 year and less than 2 years | **–** | 5,208 |
| | **392,049** | 341,129 |

Other information on financial risks on borrowings are disclosed in Note 38.

**29. Trade and other payables**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **31.12.2015** | **31.12.2014** | **31.12.2015** | **31.12.2014** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Current** | | | | | |
| **Trade payables** | | | | | |
| Third parties | a | **60,568** | 16,799 | **54,827** | 13,527 |
| Subsidiaries | d | **–** | – | **16,936** | 4,091 |
| | | **60,568** | 16,799 | **71,763** | 17,618 |
| **Other payables** | | | | | |
| Third parties | b | **18,023** | 15,126 | **11,477** | 10,689 |
| Holding company | c | **17** | 15 | **17** | 15 |
| Subsidiaries | d | **–** | – | **975** | 1,247 |
| Joint venture | e | **47,593** | 38,809 | **47,593** | 38,809 |
| | | **65,633** | 53,950 | **60,062** | 50,760 |
| Accruals | | **8,220** | 10,476 | **7,292** | 8,990 |
| | | **73,853** | 64,426 | **67,354** | 59,750 |
| **Total trade and other payables** | | **134,421** | 81,225 | **139,117** | 77,368 |
| Add: **Borrowings** (Note 28) | | **392,049** | 341,129 | **392,049** | 341,129 |
| **Total financial liabilities carried at amortised cost** | | **526,470** | 422,354 | **531,166** | 418,497 |

## 29. Trade and other payables (cont'd)

### (a) Trade payables - third parties

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

### (b) Other payables - third parties

These are unsecured and non-interest bearing. The normal credit terms granted to the Group range from cash to 90 days.

### (c) Amount due to holding company

This is unsecured, non-interest bearing and repayable on demand.

### (d) Amounts due to subsidiaries

These are unsecured, non-interest bearing and repayable on demand.

### (e) Amount due to joint venture

This is unsecured, non-interest bearing and repayable on demand.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks of payables are disclosed in Note 38.

## 30. Share capital and share premium

| | Number of ordinary shares of RM1 each | ← Amount | | → |
|---|---|---|---|---|
| | Share capital (issued and fully paid) | Share capital (issued and fully paid) | Share premium | Total share capital and share premium |
| | '000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | |
| At 1 January 2014/31 December 2014/ 31 December 2015 | 100,000 | 100,000 | 76,372 | 176,372 |
| **Company** | | | | |
| At 1 January 2014/31 December 2014/ 31 December 2015 | 100,000 | 100,000 | 74,666 | 174,666 |

**30. Share capital and share premium (cont'd)**

| | Number of ordinary shares of RM1 each | | Amount | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **'000** | **'000** | **RM'000** | **RM'000** |
| Authorised share capital: | | | | |
| At 1 January/31 December | **500,000** | 500,000 | **500,000** | 500,000 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

**31. Other reserves (non-distributable)**

| **Group** | **Revaluation reserves RM'000** (Note a) | **Foreign currency translation reserves RM'000** (Note b) | **Available-for-sale reserves RM'000** (Note c) | **Hedging reserves RM'000** (Note d) | **Total RM'000** |
|---|---|---|---|---|---|
| At 1 January 2015 | **24,666** | **(736)** | **2,259** | **(4,586)** | **21,603** |
| **Other comprehensive income:** | | | | | |
| Revaluation surplus on property, plant and equipment | **4,819** | **–** | **–** | **–** | **4,819** |
| Foreign currency translation | **–** | **12,049** | **–** | **–** | **12,049** |
| Net fair value loss on available-for-sale investment securities | **–** | **–** | **(2,458)** | **–** | **(2,458)** |
| Net fair value changes on cash flow hedges | | | | | |
| - Net loss on fair value changes during the year | **–** | **–** | **–** | **(3,980)** | **(3,980)** |
| - Recognised in profit or loss: | | | | | |
| - Ineffective cash flow hedge (Note 7) | **–** | **–** | **–** | **654** | **654** |
| Income tax relating to components of other comprehensive income (Note 12) | **(640)** | **–** | **590** | **798** | **748** |
| | **4,179** | **12,049** | **(1,868)** | **(2,528)** | **11,832** |
| At 31 December 2015 | **28,845** | **11,313** | **391** | **(7,114)** | **33,435** |

**31. Other reserves (non-distributable) (cont'd)**

| Group | Revaluation reserves RM'000 (Note a) | Foreign currency translation reserves RM'000 (Note b) | Available-for-sale reserves RM'000 (Note c) | Hedging reserves RM'000 (Note d) | Total RM'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | 21,116 | (14,198) | 1,661 | (1,316) | 7,263 |
| **Other comprehensive income:** | | | | | |
| Revaluation surplus on property, plant and equipment | 4,237 | – | – | – | 4,237 |
| Foreign currency translation | – | 16,273 | – | – | 16,273 |
| Net fair value gain on available-for-sale investment securities | – | – | 787 | – | 787 |
| Net fair value changes on cash flow hedges | | | | | |
| - Net loss on fair value changes during the year | – | – | – | (3,799) | (3,799) |
| - Recognised in profit or loss: | | | | | |
| - Ineffective cash flow hedge (Note 7) | – | – | – | (481) | (481) |
| Income tax relating to components of other comprehensive income (Note 12) | (494) | – | (189) | 1,010 | 327 |
| | 3,743 | 16,273 | 598 | (3,270) | 17,344 |
| **Transactions with owners:** | | | | | |
| Reserve of disposal group classified as held for sale | – | (2,811) | – | – | (2,811) |
| Realisation of revaluation reserves upon sale of a subsidiary (Note 18(b)) | (193) | – | – | – | (193) |
| | (193) | (2,811) | – | – | (3,004) |
| At 31 December 2014 | 24,666 | (736) | 2,259 | (4,586) | 21,603 |

### 31. Other reserves (non-distributable) (cont'd)

| | Revaluation reserves | Available-for-sale reserves | Hedging reserves | Total |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | (Note a) | (Note c) | (Note d) | |
| **Company** | | | | |
| At 1 January 2015 | **6,831** | **2,259** | **(4,586)** | **4,504** |
| **Other comprehensive income:** | | | | |
| Revaluation surplus on property, plant and equipment | **1,450** | **–** | **–** | **1,450** |
| Net fair value loss on available-for-sale investment securities | **–** | **(2,458)** | **–** | **(2,458)** |
| Net fair value changes on cash flow hedges | | | | |
| - Net loss on fair value changes during the year | **–** | **–** | **(3,980)** | **(3,980)** |
| - Recognised in profit or loss: | | | | |
| - Ineffective cash flow hedge (Note 7) | **–** | **–** | **654** | **654** |
| Income tax relating to components of other comprehensive income (Note 12) | **(348)** | **590** | **798** | **1,040** |
| | **1,102** | **(1,868)** | **(2,528)** | **(3,294)** |
| At 31 December 2015 | **7,933** | **391** | **(7,114)** | **1,210** |
| At 1 January 2014 | 6,048 | 1,661 | (1,316) | 6,393 |
| **Other comprehensive income:** | | | | |
| Revaluation surplus on property, plant and equipment | 1,030 | – | – | 1,030 |
| Net fair value gain on available-for-sale investment securities | – | 787 | – | 787 |
| Net fair value changes on cash flow hedges | | | | |
| - Net loss on fair value changes during the year | – | – | (3,799) | (3,799) |
| - Recognised in profit or loss: | | | | |
| - Ineffective cash flow hedge (Note 7) | – | – | (481) | (481) |
| Income tax relating to components of other comprehensive income (Note 12) | (247) | (189) | 1,010 | 574 |
| | 783 | 598 | (3,270) | (1,889) |
| At 31 December 2014 | 6,831 | 2,259 | (4,586) | 4,504 |

## 31. Other reserves (non-distributable) (cont'd)

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

### (a) Revaluation reserves

The account records increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity, net of tax.

### (b) Foreign currency translation reserves

The account records the 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 also records the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, regardless of the currency of the monetary item.

### (c) Available-for-sale reserves

The account records the cumulative fair value changes of available-for-sale investment securities until they are derecognised or impaired.

### (d) Hedging reserves

The account records the effective portion of the cash flow hedge relationships incurred at the reporting date. Also recorded herein as a separate component, is the effective portion of the gain or loss on hedging instruments in cash flow hedges.

## 32. Retained earnings

In accordance with the Finance Act 2007, effective from 1 January 2014, the Company may distribute dividends out of its entire retained earnings as at 31 December 2015 under the single tier system. Such dividends will be exempted from tax in the hands of the shareholders.

## 33. Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At 1 January | **(2,889)** | (3,677) | **(2,494)** | (2,944) |
| Recognised in profit or loss (Note 12) | **2,932** | 1,225 | **3,224** | 1,024 |
| Recognised in other comprehensive income (Note 12) | **(748)** | (327) | **(1,040)** | (574) |
| Sale of a subsidiary (Note 18 (b)) | **–** | (110) | **–** | – |
| At 31 December | **(705)** | (2,889) | **(310)** | (2,494) |

Presented after appropriate offsetting as follows:

| | | | | |
|---|---|---|---|---|
| Deferred tax assets | **(2,099)** | (3,981) | **(310)** | (2,494) |
| Deferred tax liabilities | **1,394** | 1,092 | **–** | – |
| | **(705)** | (2,889) | **(310)** | (2,494) |

**33. 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**

| Group | Available-for-sale reserves RM'000 | Property, plant and equipment RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2015 | **714** | **6,614** | **7,328** |
| Recognised in profit or loss | **–** | **459** | **459** |
| Recognised in other comprehensive income (Note 31) | **(590)** | **640** | **50** |
| At 31 December 2015 | **124** | **7,713** | **7,837** |
| At 1 January 2014 | 525 | 6,108 | 6,633 |
| Recognised in profit or loss | – | 122 | 122 |
| Recognised in other comprehensive income (Note 31) | 189 | 494 | 683 |
| Sale of a subsidiary (Note 18 (b)) | – | (110) | (110) |
| At 31 December 2014 | 714 | 6,614 | 7,328 |

| Company | Available-for-sale reserves RM'000 | Property, plant and equipment RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2015 | **714** | **3,633** | **4,347** |
| Recognised in profit or loss | **–** | **623** | **623** |
| Recognised in other comprehensive income (Note 31) | **(590)** | **348** | **(242)** |
| At 31 December 2015 | **124** | **4,604** | **4,728** |
| At 1 January 2014 | 525 | 3,085 | 3,610 |
| Recognised in profit or loss | – | 301 | 301 |
| Recognised in other comprehensive income (Note 31) | 189 | 247 | 436 |
| At 31 December 2014 | 714 | 3,633 | 4,347 |

**33. Deferred tax (cont'd)**

**Deferred tax assets**

| Group | Unabsorbed capital allowances RM'000 | Receivables RM'000 | Other provisions RM'000 | Fair value changes on derivative financial instruments RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 January 2015 | **–** | **(3,202)** | **(5,541)** | **(1,474)** | **(10,217)** |
| Recognised in profit or loss | **(1,165)** | **3,026** | **755** | **(143)** | **2,473** |
| Recognised in other comprehensive income (Note 31) | **–** | **–** | **–** | **(798)** | **(798)** |
| At 31 December 2015 | **(1,165)** | **(176)** | **(4,786)** | **(2,415)** | **(8,542)** |
| | | | | | |
| At 1 January 2014 | – | (3,912) | (5,787) | (611) | (10,310) |
| Recognised in profit or loss | – | 710 | 246 | 147 | 1,103 |
| Recognised in other comprehensive income (Note 31) | – | – | – | (1,010) | (1,010) |
| At 31 December 2014 | – | (3,202) | (5,541) | (1,474) | (10,217) |

| Company | Unabsorbed capital allowances RM'000 | Receivables RM'000 | Other provisions RM'000 | Fair value changes on derivative financial instruments RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 January 2015 | **–** | **(3,204)** | **(2,163)** | **(1,474)** | **(6,841)** |
| Recognised in profit or loss | **(1,165)** | **3,026** | **883** | **(143)** | **2,601** |
| Recognised in other comprehensive income (Note 31) | **–** | **–** | **–** | **(798)** | **(798)** |
| At 31 December 2015 | **(1,165)** | **(178)** | **(1,280)** | **(2,415)** | **(5,038)** |
| | | | | | |
| At 1 January 2014 | – | (3,914) | (2,029) | (611) | (6,554) |
| Recognised in profit or loss | – | 710 | (134) | 147 | 723 |
| Recognised in other comprehensive income (Note 31) | – | – | – | (1,010) | (1,010) |
| At 31 December 2014 | – | (3,204) | (2,163) | (1,474) | (6,841) |

## 34. Derivative financial instruments

Derivative financial instruments included in the statements of financial position at the reporting date were:

| | Group/Company Liabilities RM'000 |
|---|---|
| **At 31 December 2015** | |
| Interest rate swap contract | **2** |
| Forward currency contracts | **5,461** |
| Forward commodity contracts | **4,601** |
| | **10,064** |
| Current | **10,064** |
| Non-current | **–** |
| **At 31 December 2014** | |
| Interest rate swap contract | 56 |
| Forward currency contracts | 5,661 |
| Forward commodity contracts | 422 |
| | 6,139 |
| Current | 5,661 |
| Non-current | 478 |

These represent the fair value of:

(a) Interest rate swap contracts entered into for the purpose of managing interest rate risk.

The fair value changes of these contracts are recognised in profit or loss.

(b) Forward currency contracts entered into for the purpose of managing foreign exchange risk.

The fair value changes of these contracts are recognised in other comprehensive income and accumulated in equity under hedging reserves to the extent that the hedges are effective.

(c) Forward commodity contracts entered into for the purpose of managing commodity price risk.

The fair value changes of these contracts are recognised in other comprehensive income and accumulated in equity under hedging reserves to the extent that the hedges are effective.

## 34. Derivative financial instruments (cont'd)

The Group and the Company have the following derivative financial instruments at the reporting date:

**At 31 December 2015**

**(i) Cash flow hedges**

Forward currency contracts designated as hedges to manage its foreign currency risk on expected future sales receivables in United States Dollar (USD):

| Sell USD (in million) | Range of maturity period | Average exchange rate RM/USD |
|---|---|---|
| 27.9 | From January 2016 to December 2016 | 4.1279 |

A fair value loss of RM5,452,000 with a deferred tax benefit of RM1,308,000 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts. The cash flow hedges of certain contracts were assessed to be ineffective. Accordingly, a fair value gain of RM18,000 with a deferred tax expense of RM4,000 in respect of these contracts has been recognised in profit or loss.

| Buy USD (in million) | Range of maturity period | Average exchange rate RM/USD |
|---|---|---|
| 3.6 | January 2016 | 4.3029 |

A fair value gain of RM6,000 with a deferred tax expense of RM1,000 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts. The cash flow hedges of certain contracts were assessed to be ineffective. Accordingly, a fair value loss of RM33,000 with a deferred tax benefit of RM8,000 in respect of these contracts has been recognised in profit or loss.

**(ii) Interest rate swap contract**

An interest rate swap contract to manage its interest rate risk arising from floating rate borrowings in United States Dollar (USD):

| Notional amount (USD million) | Maturity period | Receive floating interest rate | Pay fixed Interest rate |
|---|---|---|---|
| 1.5 | March 2016 | 3 months London Inter-bank Offer Rate | 0.70% |

A fair value loss of RM2,000 with a deferred tax benefit of RM500 relating to the interest rate swap contract has been recognised in profit or loss.

**34. Derivative financial instruments (cont'd)**

**At 31 December 2015 (cont'd)**

**(iii) Forward commodity contracts**

Forward commodity contracts designated as hedges to manage its commodity price risk for fuel used for operations:

| Contract amount (USD million) | Range of maturity period | Average price |
|---|---|---|
| 2.3 | From January 2016 to December 2016 | USD358 per tonne |

A fair value loss of RM3,915,000 with a deferred tax benefit of RM940,000 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts. The cash flow hedges of certain contracts were assessed to be ineffective. Accordingly, a fair value loss of RM686,000 with a deferred tax benefit of RM165,000 in respect of these contracts has been recognised in profit or loss.

**At 31 December 2014**

**(i) Cash flow hedges**

Forward currency contracts designated as hedges to manage its foreign currency risk on expected future sales receivables in United States Dollar (USD):

| Sell USD (in million) | Range of maturity period | Average exchange rate RM/USD |
|---|---|---|
| 53.4 | From January 2015 to May 2015 | 3.4047 |

A fair value loss of RM5,612,000 with a deferred tax benefit of RM1,347,000 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts. The cash flow hedges of certain contracts were assessed to be ineffective. Accordingly, a fair value loss of RM47,000 with a deferred tax benefit of RM11,000 in respect of these contracts has been recognised in profit or loss.

| Buy USD (in million) | Range of maturity period | Average exchange rate RM/USD |
|---|---|---|
| 1.3 | April 2015 | 3.5226 |

A fair value loss of RM2,000 with a deferred tax benefit of RM500 in respect of these contracts that relate to ineffective hedges has been recognised in profit or loss.

## 34. Derivative financial instruments (cont'd)

**At 31 December 2014 (cont'd)**

**(ii) Interest rate swap contract**

An interest rate swap contract to manage its interest rate risk arising from floating rate borrowings in United States Dollar (USD):

| Notional amount (USD million) | Maturity period | Receive floating interest rate | Pay fixed interest rate |
|---|---|---|---|
| 7.5 | March 2016 | 3 months London Inter-bank Offer Rate | 0.70% |

A fair value loss of RM56,000 with a deferred tax benefit of RM13,000 relating to the interest rate swap contract has been recognised in profit or loss.

**(iii) Forward commodity contracts**

Forward commodity contracts designated as hedges to manage its commodity price risk for fuel used for operations:

| Contract amount (USD million) | Range of maturity period | Average price |
|---|---|---|
| 1.6 | From January 2015 to January 2016 | USD344 per tonne |

A fair value loss of RM422,000 with a deferred tax benefit of RM101,000 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts.

## 35. Capital commitments

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Capital expenditure: | | | | |
| Approved and contracted for: | | | | |
| - Property, plant and equipment | **1,520** | 2,697 | **1,520** | 2,697 |
| Approved but not contracted for: | | | | |
| - Property, plant and equipment | **19,879** | 19,000 | **–** | – |

## 36. Contingent liabilities

To the best of their knowledge, there were no outstanding contingent liabilities for the Group and the Company at the reporting date.

## 37. 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.

| Group | Note | 2015 RM'000 | 2014 RM'000 |
|---|---|---|---|
| Associates/joint ventures: | | | |
| - Sales of products | (i) | **48,872** | 47,244 |
| - Interest income | (ii) | **133** | 147 |
| - Waiver on advances received from a joint venture | | **–** | 8,291 |
| - Reversal of interest charged to a joint venture | | **–** | 692 |
| Consulting fees paid to a director of a subsidiary | | **–** | 60 |

| Company | Note | 2015 RM'000 | 2014 RM'000 |
|---|---|---|---|
| Subsidiaries: | | | |
| - Purchases of products | (iii) | **114,482** | 152,821 |
| - Interest income | (ii) | **480** | 505 |
| - Management fee received | | **2,400** | 2,400 |
| - Advances given | (iv) | **–** | 870 |
| - Rental paid | | **1,796** | 1,796 |
| Associates/joint ventures: | | | |
| - Sales of products | (i) | **48,872** | 47,244 |
| - Interest income | (ii) | **133** | 147 |
| - Waiver on advances received from a joint venture | | **–** | 8,291 |
| - Reversal of interest charged to a joint venture | | **–** | 692 |

(i) The sales of products to an associate have been made according to the market prices and conditions offered to the major customers of the Group. It is subject to the Group's normal credit terms which range from cash to 90 days.

(ii) Interest income are receivable in respect of amounts due from certain subsidiary, associate and joint venture. Further details are disclosed in Note 24.

(iii) The purchases of products from subsidiaries have been made according to the market prices. Amount due to and due by subsidiaries on trade transactions are repayable on demand.

(iv) Advances given to certain subsidiaries are subject to interest as disclosed in Note 24 (iii).

Information regarding outstanding balances arising from related party transactions as at 31 December 2014 and 2015 are disclosed in Notes 24 and 29.

## 37. 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Short term employee benefits | **5,868** | 6,506 | **5,205** | 5,783 |
| - Continuing | **5,868** | 6,503 | **5,205** | 5,783 |
| - Discontinued | **–** | 3 | **–** | – |
| Post-employment benefits: | | | | |
| - Defined contribution plan | **716** | 726 | **648** | 646 |
| | **6,584** | 7,232 | **5,853** | 6,429 |

Included in the total compensation of key management personnel was:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors' remuneration (Note 4) | **834** | 1,555 | **730** | 1,482 |
| - Continuing | **834** | 1,552 | **730** | 1,482 |
| - Discontinued | **–** | 3 | **–** | – |

## 38. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk, credit risk, commodity price risk and market price risk.

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing their interest rate risk, foreign currency risk, liquidity risk, credit risk, commodity price risk and market price risk. The policies for managing each of these risks are summarised below.

### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

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

The Group's and the Company's policy is to manage their exposure to interest rate risk using floating rate for bank borrowings which can be swapped to fixed interest rate to mitigate their exposure where appropriate. The Group and the Company seek to obtain the most favourable interest rates available without increasing their foreign currency exposure. The Group and the Company also enter into interest rate swap contracts to mitigate their exposure to interest rate risk for long term debts where appropriate.

## 38. Financial risk management objectives and policies (cont'd)

### (a) Interest rate risk (cont'd)

The Group and the Company place the 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.

The Group and the Company have the following Interest Rate Swap Contract with a bank to swap the interest payments from a floating rate borrowing to fixed rate in US Dollar at the reporting date:

**At 31 December 2015**

| | | |
|---|---|---|
| Notional Amount (USD Million) | : | 1.5 |
| Maturity Period | : | March 2016 |
| Receive Floating Interest Rate | : | 3 months London Inter-bank Offer Rate |
| Pay Fixed Interest Rate | : | 0.70% |

**At 31 December 2014**

| | | |
|---|---|---|
| Notional Amount (USD Million) | : | 7.5 |
| Maturity Period | : | March 2016 |
| Receive Floating Interest Rate | : | 3 months London Inter-bank Offer Rate |
| Pay Fixed Interest Rate | : | 0.70% |

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit or loss net of tax through the impact on interest income from bank deposits and interest expense on floating rate borrowings at the reporting date:

| | Increase (+)/ Decrease (-) in basis point | (Decrease)/ Increase in profit net of tax RM'000 |
|---|---|---|
| **At 31 December 2015** | | |
| - Malaysian Ringgit | **+25** | **(478)** |
| | **-25** | **478** |
| - United States Dollar | **+25** | **(22)** |
| | **-25** | **22** |
| **At 31 December 2014** | | |
| - Malaysian Ringgit | +25 | (349) |
| | -25 | 349 |
| - United States Dollar | +25 | (81) |
| | -25 | 81 |

**38. Financial risk management objectives and policies (cont'd)**

**(b) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has 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, Indonesian Rupiah and Singapore Dollar. 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 where appropriate.

Due to the 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 for business transactions is minimised. The Group also uses forward currency contracts to manage foreign exchange risk.

At the reporting date, approximately:

(i) 93% (2014: 89%) of the Group's trade and other receivables as well as 73% (2014: 58%) of the Group's trade and other payables are denominated in foreign currencies, mainly in United States Dollar, Indonesia Rupiah and Singapore Dollar.

(ii) 10% (2014: 9%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar and Indonesia Rupiah.

(iii) 6% (2014: 15%) of the Group's borrowings are denominated in United States Dollar.

At 31 December 2015, the Group held forward currency contracts designated as hedges to manage its foreign currency risk on expected future sales receivables in United States Dollar for actual and highly probable forecasted transactions.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting had previously been used, which are no longer expected to occur. The ineffective contracts recognised in profit or loss for the financial year ended 31 December 2015 was RM15,000 (2014: RM49,000) (see Note 34(i)).

The cash flow hedges of certain contracts were assessed to be highly effective and a net unrealised loss of RM5,446,000 (2014: a net unrealised loss of RM5,612,000) with a deferred tax benefit of RM1,307,000 (2014: a deferred tax benefit of RM1,347,000) relating to the hedging instruments is included in other comprehensive income (see Note 34(i)).

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar ("USD") and Indonesia Rupiah ("IDR") against the respective functional currencies of the Group entities, with all other variables held constant, of the Group's profit or loss net of tax and equity at the reporting date:

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| | | (Decrease)/ Increase in profit net of tax | (Decrease)/ Increase in equity | (Decrease)/ Increase in profit net of tax | (Decrease)/ Increase in equity |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| USD/RM | strengthened by 5% | **(6,084)** | **(5,450)** | (12,201) | (7,991) |
| | weakened by 5% | **1,305** | **5,444** | 3,782 | 7,991 |
| IDR/USD | strengthened by 5% | **–** | **–** | (1) | (1) |
| | weakened by 5% | **–** | **–** | 1 | 1 |

## 38. Financial risk management objectives and policies (cont'd)

### (c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company manage their debt maturity profiles, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity risk management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group and the Company raise committed funding from financial institutions and prudently balance their portfolio with some short term funding so as to achieve overall cost effectiveness.

**Analysis of financial instruments by remaining contractual maturities**

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

| Group | Note | Within 1 year RM'000 | 1 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2015** | | | | | |
| **Financial assets:** | | | | | |
| Non-derivative | | | | | |
| Trade and other receivables | | 161,979 | 7,843 | 1,963 | 171,785 |
| Cash, bank balances and deposits | 26 | 133,874 | – | – | 133,874 |
| Total undiscounted financial assets | | 295,853 | 7,843 | 1,963 | 305,659 |
| **Financial liabilities:** | | | | | |
| Non-derivative | | | | | |
| Borrowings | 28 | 392,049 | – | – | 392,049 |
| Interest payable on borrowings | | 339 | – | – | 339 |
| Trade and other payables | 29 | 134,421 | – | – | 134,421 |
| Derivative | | | | | |
| Interest rate swap contract | 34 | 2 | – | – | 2 |
| Forward currency contracts | 34 | 5,461 | – | – | 5,461 |
| Forward commodity contracts | 34 | 4,601 | – | – | 4,601 |
| Total undiscounted financial liabilities | | 536,873 | – | – | 536,873 |
| Total net undiscounted (financial liabilities)/ financial assets | | (241,020) | 7,843 | 1,963 | (231,214) |

**38. Financial risk management objectives and policies (cont'd)**

**(c) Liquidity risk (cont'd)**

| **Group** | **Note** | **Within 1 year RM'000** | **1 to 5 years RM'000** | **Over 5 years RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| **At 31 December 2014** | | | | | |
| **Financial assets:** | | | | | |
| Non-derivative | | | | | |
| Trade and other receivables | | 105,086 | 4,575 | 4,773 | 114,434 |
| Cash, bank balances and deposits | 26 | 118,311 | – | – | 118,311 |
| Total undiscounted financial assets | | 223,397 | 4,575 | 4,773 | 232,745 |
| **Financial liabilities:** | | | | | |
| Non-derivative | | | | | |
| Borrowings | 28 | 335,921 | 5,208 | – | 341,129 |
| Interest payable on borrowings | | 804 | 42 | – | 846 |
| Trade and other payables | 29 | 81,225 | – | – | 81,225 |
| Derivative | | | | | |
| Interest rate swap contract | 34 | – | 56 | – | 56 |
| Forward currency contracts | 34 | 5,661 | – | – | 5,661 |
| Forward commodity contracts | 34 | – | 422 | – | 422 |
| Total undiscounted financial liabilities | | 423,611 | 5,728 | – | 429,339 |
| Total net undiscounted (financial liabilities)/ financial assets | | (200,214) | (1,153) | 4,773 | (196,594) |

| **Company** | **Note** | **Within 1 year RM'000** | **1 to 5 Years RM'000** | **Over 5 years RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| **At 31 December 2015** | | | | | |
| **Financial assets:** | | | | | |
| Non-derivative | | | | | |
| Trade and other receivables | | **177,104** | **7,843** | **1,963** | **186,910** |
| Cash, bank balances and deposits | 26 | **99,778** | **–** | **–** | **99,778** |
| Total undiscounted financial assets | | **276,882** | **7,843** | **1,963** | **286,688** |

**38. Financial risk management objectives and policies (cont'd)**

**(c) Liquidity risk (cont'd)**

| **Company** | **Note** | **Within 1 year RM'000** | **1 to 5 years RM'000** | **Over 5 years RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| **At 31 December 2015** | | | | | |
| **Financial liabilities:** | | | | | |
| Non-derivative | | | | | |
| Borrowings | 28 | **392,049** | **–** | **–** | **392,049** |
| Interest payable on borrowings | | **339** | **–** | **–** | **339** |
| Trade and other payables | 29 | **139,117** | **–** | **–** | **139,117** |
| Derivative | | | | | |
| Interest rate swap contract | 34 | **2** | **–** | **–** | **2** |
| Forward currency contracts | 34 | **5,461** | **–** | **–** | **5,461** |
| Forward commodity contracts | 34 | **4,601** | **–** | **–** | **4,601** |
| Total undiscounted financial liabilities | | **541,569** | **–** | **–** | **541,569** |
| Total net undiscounted (financial liabilities)/ financial assets | | **(264,687)** | **7,843** | **1,963** | **(254,881)** |
| **At 31 December 2014** | | | | | |
| **Financial assets:** | | | | | |
| Non-derivative | | | | | |
| Trade and other receivables | | 121,496 | 4,575 | 4,773 | 130,844 |
| Cash, bank balances and deposits | 26 | 74,390 | – | – | 74,390 |
| Total undiscounted financial assets | | 195,886 | 4,575 | 4,773 | 205,234 |
| **Financial liabilities:** | | | | | |
| Non-derivative | | | | | |
| Borrowings | 28 | 335,921 | 5,208 | – | 341,129 |
| Interest payable on borrowings | | 804 | 42 | – | 846 |
| Trade and other payables | 29 | 77,368 | – | – | 77,368 |
| Derivative | | | | | |
| Interest rate swap contract | 34 | – | 56 | – | 56 |
| Forward currency contracts | 34 | 5,661 | – | – | 5,661 |
| Forward commodity contracts | 34 | – | 422 | – | 422 |
| Total undiscounted financial liabilities | | 419,754 | 5,728 | – | 425,482 |
| Total net undiscounted (financial liabilities)/ financial assets | | (223,868) | (1,153) | 4,773 | (220,248) |

## 38. Financial risk management objectives and policies (cont'd)

### (c) Liquidity risk (cont'd)

**Financial guarantees**

The table below shows the contractual expiry by maturity of the Group's and the Company's financial guarantees. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| Group | Within 1 year RM'000 | 1 to 5 years RM'000 | Total RM'000 |
|---|---|---|---|
| **At 31 December 2015** | | | |
| Financial guarantees | **9,557** | **–** | **9,557** |
| **At 31 December 2014** | | | |
| Financial guarantee | 1,000 | – | 1,000 |
| **Company** | | | |
| **At 31 December 2015** | | | |
| Financial guarantees | **9,557** | **–** | **9,557** |
| **At 31 December 2014** | | | |
| Financial guarantee | 1,000 | – | 1,000 |

### (d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposures to credit risk are represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- Bank guarantees for RM8.6 million and RM1.0 million issued by the Company to Royal Malaysian Custom Department and Kuala Lumpur Tin Market respectively.

**38. Financial risk management objectives and policies (cont'd)**

**(d) Credit risk (cont'd)**

The Group has a concentration of credit risk that may arise from exposures to a single debtor which constitutes approximately 26.5% (2014: 14.0%) of its trade receivables and 32.5% (2014: 52.1%) of its other receivables.

The Group and the Company determine concentrations of credit risk by monitoring the country profile of their trade and other receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's current and non-current trade and other receivables (excluding deposits) at the reporting date were as follows:

| | **2015** | | **2014** | |
|---|---|---|---|---|
| **Group** | **RM'000** | **% of total** | **RM'000** | **% of total** |
| By country: | | | | |
| Indonesia | **49,686** | **30** | 3,979 | 4 |
| Australia | **37,637** | **22** | 8,712 | 8 |
| South Africa | **27,999** | **17** | 16,860 | 15 |
| Malaysia | **16,034** | **10** | 17,829 | 16 |
| Korea | **13,251** | **8** | 8,211 | 7 |
| Germany | **7,140** | **4** | 8,139 | 7 |
| China, including Hong Kong and Taiwan | **5,339** | **3** | 11,108 | 10 |
| Singapore | **4,595** | **3** | 16,417 | 15 |
| Others | **5,935** | **3** | 19,813 | 18 |
| | **167,616** | **100** | 111,068 | 100 |

| | **2015** | | **2014** | |
|---|---|---|---|---|
| **Company** | **RM'000** | **% of total** | **RM'000** | **% of total** |
| By country: | | | | |
| Indonesia | **49,726** | **27** | 3,900 | 3 |
| Australia | **37,637** | **21** | 8,712 | 7 |
| Malaysia | **31,119** | **17** | 34,318 | 27 |
| South Africa | **27,999** | **15** | 16,860 | 13 |
| Korea | **13,251** | **7** | 8,211 | 6 |
| Germany | **7,140** | **4** | 8,139 | 6 |
| China, including Hong Kong and Taiwan | **5,339** | **3** | 11,108 | 9 |
| Singapore | **4,595** | **3** | 16,417 | 13 |
| Others | **5,935** | **3** | 19,813 | 16 |
| | **182,741** | **100** | 127,478 | 100 |

**38. Financial risk management objectives and policies (cont'd)**

**(d) Credit risk (cont'd)**

**Financial assets that are neither past due nor impaired**

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 24. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

**Financial assets that are either past due or impaired**

Information regarding financial assets that are either past due or impaired is disclosed in Note 24.

**(e) 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 on revenue for sales of tin as well as production cost for fuel consumed in the operations.

The commodity price risk on revenue for sales of tin is managed through contractual arrangements with customers and forward commodity contracts. At the reporting date, there was no such contract outstanding.

The commodity price risk on production cost for fuel is managed through forward commodity contracts. The terms of the forward commodity contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting had previously been used, which are no longer expected to occur. The ineffective contracts recognised in profit or loss for the financial year ended 31 December 2015 was RM686,000 (2014: Nil) (see Note 34(iii)).

The cash flow hedges of certain contracts were assessed to be highly effective and a net unrealised loss of RM3,915,000 (2014: a net unrealised loss of RM422,000) with a deferred tax benefit of RM940,000 (2014: a deferred tax benefit of RM101,000) relating to the hedging instruments is included in other comprehensive income (see Note 34(iii)).

The following table demonstrates the sensitivity to a reasonably possible change in the commodity price, with all other variables held constant, of the Group's profit or loss net of tax and equity at the reporting date:

| | | **2015** | | **2014** | |
|---|---|---|---|---|---|
| | | **Increase/ (Decrease) in profit net of tax RM'000** | **Increase/ (Decrease) in equity RM'000** | **Increase/ (Decrease) in profit net of tax RM'000** | **Increase/ (Decrease) in equity RM'000** |
| Fuel price | increased by 5% | **(40)** | **193** | (116) | 201 |
| | decreased by 5% | **70** | **(193)** | (517) | (201) |

**(f) Market price risk**

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments outside Malaysia are listed on Toronto Venture Exchange in Canada. These instruments are classified as available-for-sale investment securities.

## 38. Financial risk management objectives and policies (cont'd)

### (f) Market price risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the share price, with all other variables held constant, of the Group's profit or loss net of tax and equity at the reporting date:

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| | | Increase/ (Decrease) in profit net of tax RM'000 | Increase/ (Decrease) in equity RM'000 | Increase/ (Decrease) in profit net of tax RM'000 | Increase/ (Decrease) in equity RM'000 |
| Share price | increased by 5% | **121** | **520** | – | 296 |
| | decreased by 5% | **(121)** | **(520)** | – | (296) |

### (g) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the various core businesses. The Group allocates the amount of capital in proportion to risk, manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or increase borrowings. The Group monitors the return of capital, which is defined as total shareholders' equity (excluding non-controlling interests), and gearing ratio, which is defined as total borrowings over total equity.

The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

| | Group | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Share capital | **100,000** | 100,000 |
| Share premium | **76,372** | 76,372 |
| Other reserves | **33,435** | 21,603 |
| Retained earnings | **31,151** | 35,946 |
| Total shareholders' equity | **240,958** | 233,921 |
| Non-controlling interests | **296** | 301 |
| Total equity | **241,254** | 234,222 |
| Total borrowings (Note 28) | **392,049** | 341,129 |
| Gearing ratio (as defined above) | **1.6** | 1.5 |

## 39. Fair value of assets and liabilities

### (a) Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of each class of assets and liabilities carried at fair value by level of fair value hierarchy:

| | | Group | | | |
|---|---|---|---|---|---|
| | Date of valuation | Quoted prices in active markets for identical instruments (Level 1) RM'000 | Significant other observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 |
| **At 31 December 2015** | | | | | |
| **Assets measured at fair value:** | | | | | |
| Available-for-sale investment securities (Note 20) | | | | | |
| - Equity instruments (quoted) | 31 Dec 2015 | **12,930** | **–** | **–** | **12,930** |
| Revalued freehold land and buildings (Note 15) | | | | | |
| - Land and tin smelting industrial complex in Butterworth | 31 Dec 2015 | **–** | **–** | **35,418** | **35,418** |
| - Office lots in Kuala Lumpur | 31 Dec 2015 | **–** | **–** | **6,750** | **6,750** |
| - 80 units flats in Bukit Mertajam | 31 Dec 2015 | **–** | **–** | **4,400** | **4,400** |
| - Land and buildings in Daerah Hulu Perak | 31 Dec 2015 | **–** | **–** | **2,399** | **2,399** |
| | | **12,930** | **–** | **48,967** | **61,897** |
| **Liabilities measured at fair value:** | | | | | |
| Derivative financial liabilities (Note 34) | | | | | |
| - Interest rate swap contract | 31 Dec 2015 | **–** | **2** | **–** | **2** |
| - Forward currency contracts | 31 Dec 2015 | **–** | **5,461** | **–** | **5,461** |
| - Forward commodity contracts | 31 Dec 2015 | **–** | **4,601** | **–** | **4,601** |
| | | **–** | **10,064** | **–** | **10,064** |

**39. Fair value of assets and liabilities (cont'd)**

**(a) Fair value of assets and liabilities that are carried at fair value (cont'd)**

| | | Group | | | |
|---|---|---|---|---|---|
| | **Date of valuation** | **Quoted prices in active markets for identical instruments (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At 31 December 2014** | | | | | |
| **Assets measured at fair value:** | | | | | |
| Available-for-sale investment securities (Note 20) | | | | | |
| - Equity instruments (quoted) | 31 Dec 2014 | 7,792 | – | – | 7,792 |
| Revalued freehold land and buildings (Note 15) | | | | | |
| - Land and tin smelting industrial complex in Butterworth | 31 Dec 2014 | – | – | 32,429 | 32,429 |
| - Office lots in Kuala Lumpur | 31 Dec 2014 | – | – | 5,800 | 5,800 |
| - 80 units flats in Bukit Mertajam | 31 Dec 2014 | – | – | 4,176 | 4,176 |
| - Land and buildings in Daerah Hulu Perak | 31 Dec 2014 | – | – | 2,399 | 2,399 |
| | | 7,792 | – | 44,804 | 52,596 |
| **Liabilities measured at fair value:** | | | | | |
| Derivative financial liabilities (Note 34) | | | | | |
| - Interest rate swap contract | 31 Dec 2014 | – | 56 | – | 56 |
| - Forward currency contracts | 31 Dec 2014 | – | 5,661 | – | 5,661 |
| - Forward commodity contracts | 31 Dec 2014 | – | 422 | – | 422 |
| | | – | 6,139 | – | 6,139 |

**39. Fair value of assets and liabilities (cont'd)**

**(a) Fair value of assets and liabilities that are carried at fair value (cont'd)**

Fair value hierarchy

The Group classified fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

*Quoted equity instruments:* Fair value is determined directly by reference to the published market closing price at the reporting date.

*Unquoted equity instruments:* These investments are valued using valuation models which use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

*Derivatives:* Forward currency contracts, forward commodity contracts and interest rate swap contract are valued using a valuation technique with market observable inputs. These contracts are valued by financial institutions.

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

| Description | Fair value<br>RM'000 | Valuation techniques | Significant unobservable inputs | Range | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2015** | | | | | |
| Revalued freehold land and buildings (Note 15) | **48,967** | Market comparable approach/ Depreciated replacement cost | Difference in location, time factor and size | -15.0% to 25.0% | Every 1% increase or (decrease) in the adjustments would result in increase or (decrease) in fair value by RM101,000. |
| **At 31 December 2014** | | | | | |
| Revalued freehold land and buildings (Note 15) | 44,804 | Market comparable approach/ Depreciated replacement cost | Difference in location, time factor and size | -15.0% to 10.0% | Every 1% increase or (decrease) in the adjustments would result in decrease or (increase) in fair value by RM400,000. |

**39. Fair value of assets and liabilities (cont'd)**

**(a) Fair value of assets and liabilities that are carried at fair value (cont'd)**

Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3).

| | **Group** | |
|---|---|---|
| | **Property, plant and equipment** | |
| | **Freehold land** | **Buildings** |
| | **RM'000** | **RM'000** |
| At 1 January 2015 | **24,660** | **20,144** |
| Additions | **–** | **9** |
| Revaluation adjustments | **2,717** | **1,437** |
| Depreciation charge for the year | **–** | **(686)** |
| Elimination of accumulated depreciation on revaluation | **–** | **686** |
| At 31 December 2015 | **27,377** | **21,590** |

| | **Group** | |
|---|---|---|
| | **Property, plant and equipment** | |
| | **Freehold land** | **Buildings** |
| | **RM'000** | **RM'000** |
| At 1 January 2014 | 21,906 | 19,955 |
| Additions | – | 102 |
| Transfer in | – | 418 |
| Revaluation adjustments | 2,754 | 813 |
| Depreciation charge for the year | – | (707) |
| Elimination of accumulated depreciation on revaluation | – | 642 |
| Sale of a subsidiary | – | (1,052) |
| Exchange differences | – | (27) |
| At 31 December 2014 | 24,660 | 20,144 |

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 December 2015.

**39. Fair value of assets and liabilities (cont'd)**

**(b) Fair value of assets and liabilities by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments whose carrying amounts are reasonable approximation of fair value:

| | Note |
|---|---|
| Trade and other receivables (non-current) | 24 |
| Trade and other receivables (current) | 24 |
| Borrowings (current) | 28 |
| Borrowings (non-current) | 28 |
| Trade and other payables (current) | 29 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the non-current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

**40. Segmental information**

The revenue of the Group is derived from tin mining and smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sale and delivery of refined tin metal and by-products.

For management purposes, the Group is organised into two business segments within the tin industry, and has three reportable operating segments as follows:

**(a) Tin Smelting**

Tin smelting includes the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sale and delivery of refined tin metal and by-products.

**(b) Tin Mining**

Tin mining includes activities involving exploration for and mining of tin.

**(c) Others**

These include investments in other metal and mineral resources to form a reportable operating segment.

## 40. Segmental information (cont'd)

### Business segments

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before tax.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. These intercompany transactions are eliminated on consolidation.

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

| | Note | International Tin Smelting RM'000 | Tin Mining RM'000 | Others RM'000 | (Eliminations)/ Adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| **Revenue** | | | | | | |
| Sales to external customers | | 1,464,855 | – | – | – | 1,464,855 |
| Inter-segment sales | | 4 | 114,482 | 1,796 | (116,282) | – |
| Total revenue | | 1,464,859 | 114,482 | 1,796 | (116,282) | 1,464,855 |
| **Results** | | | | | | |
| Profit from operations | | 6,234 | 14,531 | 579 | 914 | 22,258 |
| Impairment losses | | (684) | – | (6,049) | – | (6,733) |
| Finance costs | | (11,031) | (362) | (2,577) | – | (13,970) |
| Share of results of associates and joint ventures | | – | – | 1,683 | – | 1,683 |
| (Loss)/Profit before tax | | (5,481) | 14,169 | (6,364) | 914 | 3,238 |
| Income tax expense | | (2,917) | (4,620) | (272) | (229) | (8,038) |
| (Loss)/Profit for the year | | (8,398) | 9,549 | (6,636) | 685 | (4,800) |

## 40. Segmental information (cont'd)

### Business segments (cont'd)

| | Note | International Tin Smelting RM'000 | Tin Mining RM'000 | Others RM'000 | (Eliminations)/ Adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2015** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | | 608,464 | 111,985 | 2,690 | (606) | 722,533 |
| Investment in associates and joint ventures | | – | – | 84,469 | – | 84,469 |
| Total assets | | 608,464 | 111,985 | 87,159 | (606) | 807,002 |
| **Liabilities** | | | | | | |
| Segment liabilities | | 534,178 | 31,410 | 609 | (449) | 565,748 |
| **2015** | | | | | | |
| **Other segment information** | | | | | | |
| Additions of non-current assets | | | | | | |
| - Property, plant and equipment | 15 | 5,190 | 7,790 | – | – | 12,980 |
| - Intangible and other assets | 21 | – | 1,935 | – | – | 1,935 |
| Depreciation | 4 | 3,733 | 3,659 | – | – | 7,392 |
| Amortisation of prepaid land lease payments | 4 | 27 | 6 | – | – | 33 |
| Amortisation of mining rights | 4 | – | 890 | – | – | 890 |
| Amortisation of corporate club membership | 4 | 3 | 5 | 40 | – | 48 |
| Amortisation of mine properties | 4 | – | 1,011 | – | – | 1,011 |
| Other significant non-cash expenses: | | | | | | |
| - Write down of inventories | 4 | 14,200 | – | – | – | 14,200 |
| Interest income | 6 | (3,488) | (1,225) | – | – | (4,713) |

## 40. Segmental information (cont'd)

### Business segments (cont'd)

| | Note | International Tin Smelting RM'000 | Tin Mining RM'000 | Others RM'000 | Tin Mining (Discontinued Operations) RM'000 | (Eliminations)/ Adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| **Revenue** | | | | | | | |
| Sales to external customers | | 1,915,179 | – | – | – | – | 1,915,179 |
| Inter-segment sales | | 3 | 152,821 | 1,796 | – | (154,620) | – |
| Total revenue | | 1,915,182 | 152,821 | 1,796 | – | (154,620) | 1,915,179 |
| **Results** | | | | | | | |
| Profit/(Loss) from operations | | 49,259 | 30,203 | (9,000)* | (32,630) | 33,207 | 71,039 |
| Impairment losses | | 1,025 | – | (10,425) | – | – | (9,400) |
| Finance costs | | (11,658) | (350) | (2,644) | – | – | (14,652) |
| Share of results of associates and joint ventures | | – | – | (1,995) | – | – | (1,995) |
| Profit/(Loss) before tax from continuing operations | | 38,626 | 29,853 | (24,064) | (32,630) | 33,207 | 44,992 |
| Income tax expense | | (13,929) | (7,989) | (270) | – | (144) | (22,332) |
| Profit/(Loss) from continuing operations, net of tax | | 24,697 | 21,864 | (24,334) | (32,630) | 33,063 | 22,660 |
| Loss from discontinued operations, net of tax | | | | | | | (32,630) |
| Loss for the year | | | | | | | (9,970) |

*Includes the full provision for financial guarantee of RM9.64 million.

**40. Segmental information (cont'd)**

**Business segments (cont'd)**

| | Note | International Tin Smelting RM'000 | Tin Mining RM'000 | Others RM'000 | Tin Mining (Discontinued Operations) RM'000 | (Eliminations)/ Adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2014** | | | | | | | |
| **Assets** | | | | | | | |
| Segment assets | | 510,218 | 100,840 | 3,603 | – | (1,292) | 613,369 |
| Investment in associates and joint ventures | | – | – | 71,318 | – | – | 71,318 |
| Total assets | | 510,218 | 100,840 | 74,921 | – | (1,292) | 684,687 |
| **Liabilities** | | | | | | | |
| Segment liabilities | | 430,791 | 19,574 | 549 | – | (449) | 450,465 |
| **2014** | | | | | | | |
| **Other segment information** | | | | | | | |
| Additions of non-current assets | | | | | | | |
| - Property, plant and equipment | 15 | 7,165 | 1,876 | – | – | – | 9,041 |
| - Prepaid land lease payments | 16 | – | 200 | – | – | – | 200 |
| - Intangible and other assets | 17/21 | 215 | 5,049 | – | – | – | 5,264 |
| Depreciation | 4 | 3,020 | 3,123 | – | 75 | – | 6,218 |
| Amortisation of prepaid land lease payments | 4 | 27 | 6 | – | 9 | – | 42 |
| Amortisation of mining rights | 4 | – | 893 | – | – | – | 893 |
| Amortisation of corporate club membership | 4 | 2 | 5 | 40 | – | – | 47 |
| Amortisation of mine properties | 4 | – | 839 | – | – | – | 839 |
| Other significant non-cash expenses/(income): | | | | | | | |
| - Write down of inventories | 4 | 3,200 | – | – | – | – | 3,200 |
| - Reversal of provision for severance benefits, net | 4 | – | 95 | (61) | (378) | – | (344) |
| Interest income | 6 | (5,948) | (1,208) | – | – | – | (7,156) |

## 40. Segmental information (cont'd)

### Business segments (cont'd)

The following item was added to segment profit before tax to arrive at profit before tax as disclosed in the consolidated income statement:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Profit from inter-segment sales | **914** | 577 |

The following items were deducted from segment assets to arrive at total assets as disclosed in the consolidated statement of financial position:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Unrealised profit arising from inter-segment sales | **(157)** | (843) |
| Inter-segment assets | **(449)** | (449) |
| | **(606)** | (1,292) |

### Geographical Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services. The activities of the Group are carried out mainly in Malaysia and as such, segmental reporting by geographical locations is not presented.

### Information about major customers

Revenue from two major customers amounted to RM346,934,000 and RM150,233,000 (2014: one major customer amounted to RM452,526,000), arising from sales by the tin smelting segment.

## 41. Subsequent event

There was no significant event which has occurred subsequent to the end of the financial year ended 31 December 2015 to the date of the Directors' Report.

## 42. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 23 March 2016.

## 43. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2015 into realised and unrealised profits or losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total retained earnings/(accumulated losses) of the Company and its subsidiaries: | | | | |
| - Realised | **25,029** | 25,071 | **77,040** | 84,551 |
| - Unrealised | **(4,243)** | 2,265 | **(7,076)** | (2) |
| | **20,786** | 27,336 | **69,964** | 84,549 |
| Total share of (accumulated losses)/retained earnings from associated companies: | | | | |
| - Realised | **(4,719)** | (6,675) | **–** | – |
| - Unrealised | **283** | 298 | **–** | – |
| Total share of retained earnings/(accumulated losses) from joint ventures: | | | | |
| - Realised | **19,784** | 20,016 | **–** | – |
| - Unrealised | **(11,571)** | (11,545) | **–** | – |
| | **24,563** | 29,430 | **69,964** | 84,549 |
| Add: Consolidation adjustments | **6,588** | 6,516 | **–** | – |
| Retained earnings as per financial statements | **31,151** | 35,946 | **69,964** | 84,549 |

For statutory reporting purposes in Malaysia, the Group and the Company continue to prepare consolidated and separate financial statements in accordance with Malaysian Financial Reporting Standards ("MFRSs"). The reconciliations between MFRSs and Singapore FRSs are prepared as the Company is required to lodge its annual report with the Singapore Exchange Securities Trading Limited ("SGX-ST") following the completion of its secondary listing on the Main Board of SGX-ST on 27 January 2011.

MFRSs vary in certain respects from Singapore FRSs. The application of Singapore FRSs that affected the preparation and presentation of the consolidated and separate financial statements are discussed below.

**(a) Foreign currency translation reserves**

Under Singapore FRS, the translation differences on foreign operations are recognised as a separate component of equity. MFRS 1 provides the optional exemption that cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS – 1 January 2011, the cumulative foreign currency translation differences of RM28,067,000 (31 December 2015: RM11,133,000; 31 December 2014: RM11,133,000) were adjusted to retained earnings.

**(b) Investment in subsidiaries**

The Company has previously adopted a cost model for its investment in subsidiaries. In the Company's separate financial statements, investment in subsidiaries are measured at cost less any accumulated impairment losses.

MFRS 1 provides the optional exemption for the Company to measure its investment in subsidiaries at cost (determined in accordance with MFRS 127) or deemed cost (fair value or carrying amount recorded under FRS) at the date of transition to MFRS.

The Company regards the fair value as at 1 January 2011 as the deemed cost for its investment in Rahman Hydraulic Tin Sdn. Bhd. Accordingly, at the date of transition to MFRS, the excess of fair value over the carrying amount of RM133,356,000 (31 December 2015: RM133,356,000; 31 December 2014: RM133,356,000) were adjusted to retained earnings.

# RECONCILIATIONS OF MFRSs WITH SINGAPORE FRSs (cont'd)

Singapore FRSs do not provide for these MFRS 1 optional exemptions. The reconciliations of equity at the reporting date and for comparative period from MFRSs to Singapore FRSs are provided below:

Reconciliation of equity as at 31 December 2015

| Group | MFRS as at 31.12.2015 RM'000 | Note (a) Foreign currency translation reserves RM'000 | Singapore FRS as at 31.12.2015 RM'000 |
|---|---|---|---|
| **Equity** | | | |
| Foreign currency translation reserves | **11,313** | **(11,133)** | **180** |
| Retained earnings | **31,151** | **11,133** | **42,284** |

| Company | MFRS as at 31.12.2015 RM'000 | Note (b) Investment in subsidiaries RM'000 | Singapore FRS as at 31.12.2015 RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | **148,681** | **(133,356)** | **15,325** |
| **Equity** | | | |
| Retained earnings/(Accumulated losses) | **69,964** | **(133,356)** | **(63,392)** |

Reconciliation of equity as at 31 December 2014

| Group | MFRS as at 31.12.2014 RM'000 | Note (a) Foreign currency translation reserves RM'000 | Singapore FRS as at 31.12.2014 RM'000 |
|---|---|---|---|
| **Equity** | | | |
| Foreign currency translation reserves | (736) | (11,133) | (11,869) |
| Retained earnings | 35,946 | 11,133 | 47,079 |

| Company | MFRS as at 31.12.2014 RM'000 | Note (b) Investment in subsidiaries RM'000 | Singapore FRS as at 31.12.2014 RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 148,681 | (133,356) | 15,325 |
| **Equity** | | | |
| Retained earnings/(Accumulated losses) | 84,549 | (133,356) | (48,807) |

| Location | Description | Approximate area | Tenure | Year of expiry | Approximate age of buildings | Net carrying amount at 31.12.15 RM'000 | Date of last revaluation/ acquisition |
|---|---|---|---|---|---|---|---|
| MALAYSIA | | | | | | | |
| 1. 27 Jalan Pantai 12000 Butterworth | | | | | | | |
| (a) Lot 142-187 & 362 | Land with offices and factory buildings | 12.5 acres | Freehold | – | 11 to over 50 years | 35,401 | 2015 |
| (b) Lot 268 | Land with car park shed | 45,575 sq. ft. | Leasehold | 2028 | 28 years | 312 | 2015 |
| (c) PT 686 | Seabed leases with main wharf | 15,000 sq. ft. | Leasehold | 2069 | NA | 99 | 2015 |
| 2. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur | Office premises | 4,629 sq. ft. | Freehold | – | 16 years | 3,150 | 2015 |
| 3. Unit No. B-15-6, B15-7 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur | Office premises | 4,786 sq. ft. | Freehold | – | 16 years | 3,600 | 2015 |
| 4. Taman Desa Palma, Alma 14000 Bukit Mertajam | 80 units of flats | 52,000 sq. ft. | Freehold | – | 15 years | 4,400 | 2015 |
| 5. Mukim Pengkalan Hulu Daerah Hulu Perak | | | | | | | |
| (a) Lot 344 & 348 | Land with buildings | 3.78 hectares | Freehold | – | over 48 years | 242 | 2015 |
| (b) Lot 2071, 55502, 55503 & 55504 (formerly PT 4440, 4441 & 4442), PT 3934, 4338, 4522 & 4523 | Land with buildings | 7.02 hectares | Leasehold | 2068 - 2112 | 34 to over 50 years | 1,499 | 2015 |
| (c) PT 1705,1706 & 1707 | 3 units of terrace houses | 417 sq. m | Leasehold | 2108 | 5 years | 450 | 2015 |
| (d) PT 5022 & 5026 | 2 units of semi-detached houses | 526 sq. m | Freehold | – | 2 years | 600 | 2015 |
| 6. Mukim Belukar Semang Daerah Hulu Perak | | | | | | | |
| (a) Lot 1886 | Vacant Land | 0.4 hectares | Freehold | – | – | 16 | 2015 |
| (b) PT 725, 726, 727 | Land with buildings | 7.01 hectares | Leasehold | 2022 | – | 4 | 2015 |

# TIN STATISTICS

**Deliveries of Refined Tin From Penang**

(Tonnes Refined Tin by reported destination)

| Destination | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Africa | 65 | 380 | 181 | 245 | 242 | **270** |
| Australia & New Zealand | – | 5 | 6 | 44 | – | **–** |
| China | 315 | 1,325 | 2,755 | 1,590 | 316 | **587** |
| E.E.C. (incl. UK) | 2,290 | 2,467 | 1,435 | 2,077 | 2,479 | **1,756** |
| India, Pakistan & Bangladesh | 240 | 3,140 | 3,420 | 4,073 | 4,459 | **2,286** |
| Japan | 1,669 | 1,633 | 1,819 | 1,988 | 3,348 | **3,763** |
| Middle East | 510 | 687 | 722 | 261 | 266 | **313** |
| Taiwan | 1,809 | 1,291 | 1,169 | 1,534 | 1,394 | **1,034** |
| Korea | 9,079 | 7,905 | 6,870 | 7,261 | 7,780 | **6,725** |
| Rest of Asia Pacific | 360 | 180 | 130 | – | 240 | **273** |
| Singapore | 1,300 | 380 | 1,910 | 795 | 100 | **45** |
| South America | – | 500 | – | 25 | 325 | **215** |
| U.S.A. | 14 | 1,060 | 1,900 | 3,850 | 5,165 | **5,125** |
| | **17,651** | **20,953** | **22,317** | **23,743** | **26,114** | **22,392** |
| **Malaysia**<br>(for domestic consumption)<br>* Include tin deliveries to LME warehouses in Pasir Gudang and Port Kelang | 21,517 | 18,504 | 15,696 | 9,349 | 9,037 | **7,572** |
| **Total** | **39,168** | **39,457** | **38,013** | **33,092** | **35,151** | **29,964** |

**LME and US DLA's Stocks & Disposals**
**(In Tonnes)**

| PERIOD END | LME STOCKS * |
|---|---|
| **2015** | |
| 1st Quarter | 9,930 |
| 2nd Quarter | 6,070 |
| 3rd Quarter | 4,825 |
| 4th Quarter | 6,140 |

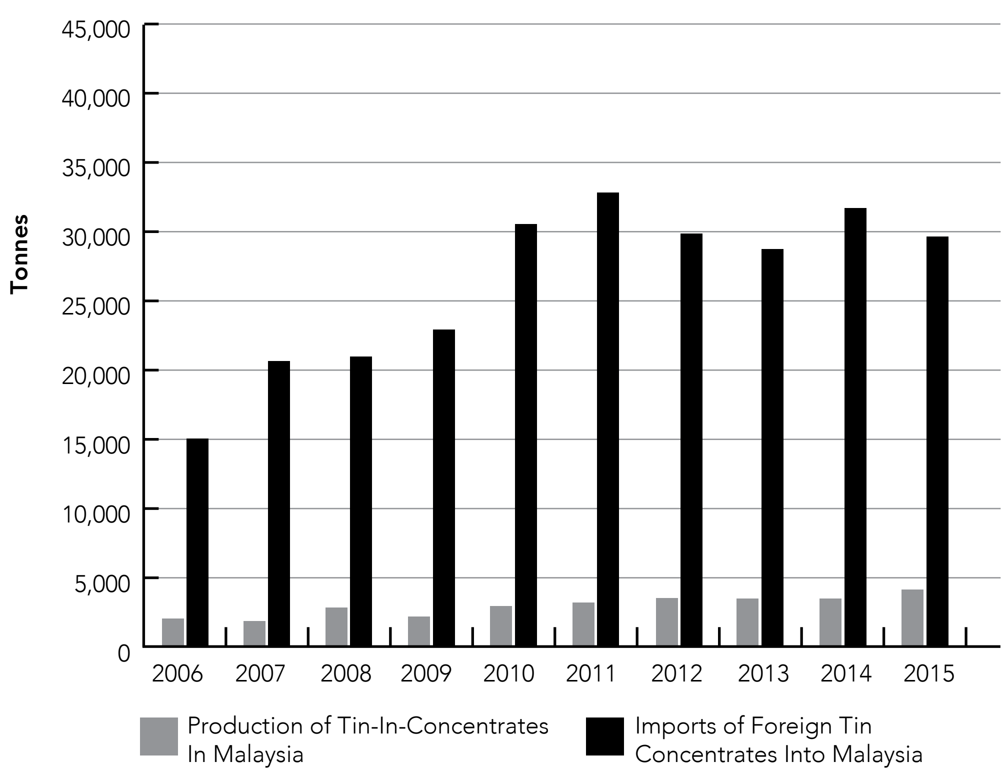
| DLA STOCKS # | |
|---|---|
| Opening stock at 01.01.2015 | 4,020 |
| Disposal during the year | – |
| Closing stock at 31.12.2015 | 4,020 |

Sources : * Metal Bulletin
# US Geological Survey - uncommitted stock

| Production of Tin-In-Concentrates In Malaysia | |
|---|---|
| Year | Tonnes |
| 2006 | 2,398 |
| 2007 | 2,264 |
| 2008 | 2,606 |
| 2009 | 2,380 |
| 2010 | 2,668 |
| 2011 | 3,344 |
| 2012 | 3,725 |
| 2013 | 3,688 |
| 2014 | 3,777 |
| 2015 | 4,158 |

| Imports of Foreign Tin Concentrates Into Malaysia | |
|---|---|
| Year | Tonnes |
| 2006 | 15,064 |
| 2007 | 20,643 |
| 2008 | 20,987 |
| 2009 | 22,928 |
| 2010 | 31,359 |
| 2011 | 33,031 |
| 2012 | 29,719 |
| 2013 | 28,328 |
| 2014 | 31,915 |
| 2015 | 29,121 |

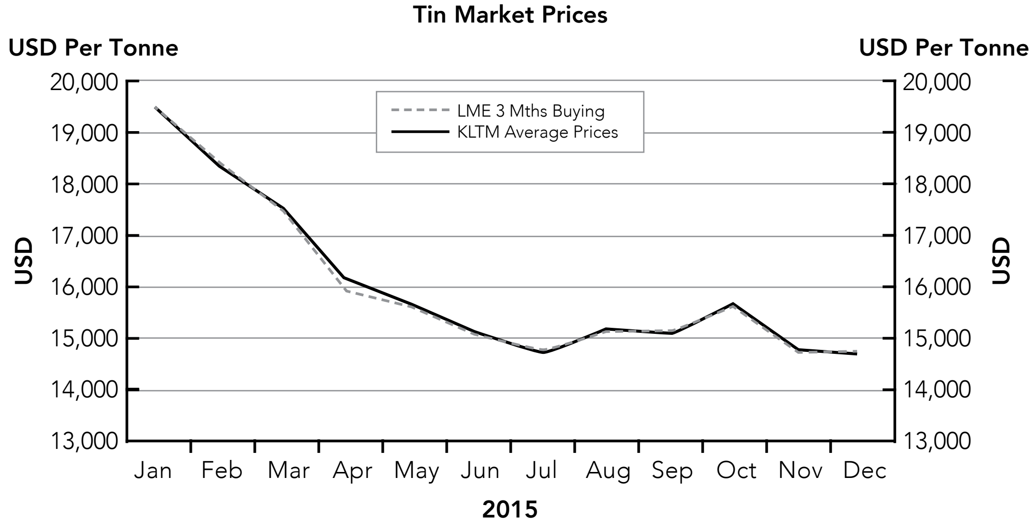
**Malaysia Production and Import of Tin-In-Concentrates**



# TIN STATISTICS (cont'd)

| | KLTM Prices | | | | LME 3 mths |
|---|---|---|---|---|---|
| | Highest USD per tonne | Lowest USD per tonne | Average USD per tonne | KLTM Turnover (Tonnes) | Buying Average USD per tonne |
| **2006** | 12,000 | 6,600 | 8,765 | 13,857 | 8,713 |
| **2007** | 17,250 | 10,050 | 14,523 | 14,757 | 14,500 |
| **2008** | 25,400 | 9,850 | 18,438 | 18,077 | 18,434 |
| **2009** | 16,800 | 10,130 | 12,493 | 16,900 | 13,341 |
| **2010** | 27,000 | 15,395 | 18,859 | 15,599 | 20,400 |
| **2011** | 33,300 | 18,560 | 26,177 | 11,387 | 26,100 |
| **2012** | 25,500 | 17,300 | 21,163 | 10,206 | 21,100 |
| **2013** | 25,150 | 19,150 | 22,318 | 9,530 | 22,308 |
| **2014** | 23,680 | 18,300 | 21,895 | 10,826 | 21,889 |
| **2015** | **19,950** | **13,700** | **16,050** | **12,679** | **16,018** |
| **2015** | | | | | |
| January | 19,950 | 19,100 | 19,445 | 1,165 | 19,450 |
| February | 18,950 | 17,700 | 18,276 | 946 | 18,297 |
| March | 18,100 | 16,880 | 17,493 | 1,011 | 17,489 |
| April | 16,750 | 14,750 | 16,053 | 836 | 15,993 |
| May | 16,199 | 15,500 | 15,874 | 980 | 15,814 |
| June | 15,550 | 14,380 | 15,161 | 1,038 | 15,017 |
| July | 16,250 | 13,700 | 14,872 | 1,220 | 14,892 |
| August | 16,200 | 13,875 | 15,193 | 1,017 | 15,067 |
| September | 15,730 | 14,230 | 15,117 | 1,059 | 15,176 |
| October | 16,100 | 15,100 | 15,758 | 894 | 15,716 |
| November | 15,080 | 14,350 | 14,732 | 1,139 | 14,664 |
| December | 15,000 | 14,350 | 14,623 | 1,374 | 14,645 |

**Tin Market Prices**



## ANALYSIS BY SIZE OF SHAREHOLDINGS

| Holdings | No of Holders | Percentage (%) | Total Holdings | Percentage (%) |
|---|---|---|---|---|
| less than 100 | 22 | 0.58 | 537 | 0.00 |
| 100 to 1,000 | 1,745 | 46.35 | 1,138,796 | 1.14 |
| 1,001 to 10,000 | 1,512 | 40.16 | 6,620,000 | 6.62 |
| 10,001 to 100,000 | 415 | 11.02 | 12,761,867 | 12.76 |
| 100,001 to less than 5% of issued shares | 68 | 1.81 | 28,618,000 | 28.62 |
| 5% and above of issued shares | 3 | 0.08 | 50,860,800 | 50.86 |
| **TOTAL** | **3,765** | **100.00** | **100,000,000** | **100.00** |

## THE 30 LARGEST SHAREHOLDERS

| | Name | Holdings | % |
|---|---|---|---|
| 1. | THE STRAITS TRADING COMPANY LIMITED | 28,090,000 | 28.09 |
| 2. | STRAITS TRADING AMALGAMATED RESOURCES SDN BHD | 17,374,500 | 17.37 |
| 3. | SWORD INVESTMENTS PRIVATE LIMITED | 5,396,300 | 5.40 |
| 4. | BAXTERLEY HOLDINGS PRIVATE LIMITED | 3,700,000 | 3.70 |
| 5. | LEONG KOK TAI | 2,929,900 | 2.93 |
| 6. | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD FOR ICAPITAL.BIZ BERHAD | 2,902,000 | 2.90 |
| 7. | LIM KHOON | 999,100 | 1.00 |
| 8. | QUARRY LANE SDN BHD | 860,000 | 0.86 |
| 9. | LEE PIN | 828,500 | 0.83 |
| 10. | NEOH CHOO EE & COMPANY SDN BERHAD | 800,000 | 0.80 |
| 11. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD.AJIB BIN HJ.ANUAR | 659,000 | 0.66 |
| 12. | TOH YEW KEONG | 650,000 | 0.65 |
| 13. | DYNAQUEST SDN BERHAD | 600,000 | 0.60 |
| 14. | 2G CAPITAL PTE LTD | 600,000 | 0.60 |
| 15. | AU YONG MUN YUE | 575,000 | 0.58 |
| 16. | CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD | 449,700 | 0.45 |
| 17. | KUEK SIAW KIA @ QUEK SHIEW POH | 417,500 | 0.42 |
| 18. | TOH YEW KEONG | 410,000 | 0.41 |

# SHAREHOLDINGS STATISTICS (cont'd)
(as at 30 March 2016)

**THE 30 LARGEST SHAREHOLDERS (cont'd)**

| | Name | Holdings | % |
|---|---|---|---|
| 19. | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD | 403,800 | 0.40 |
| 20. | CHEW GEK KHIM | 400,000 | 0.40 |
| 21. | VISION CAPITAL PRIVATE LIMITED | 400,000 | 0.40 |
| 22. | LEE CHEOW YIN | 388,000 | 0.39 |
| 23. | CIMB SEC (S'PORE) PTE LTD | 367,500 | 0.37 |
| 24. | SYNERGY MOTION SDN BHD | 359,000 | 0.36 |
| 25. | AU YONG MUN YUE | 350,000 | 0.35 |
| 26. | WONG AH WAH @ WONG FONG FUI | 350,000 | 0.35 |
| 27. | TAN LEE HWA | 338,000 | 0.34 |
| 28. | PHILLIP SECURITIES PTE LTD | 334,600 | 0.33 |
| 29. | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>FOR AXA AFFIN GENERAL INSURANCE BERHAD | 300,000 | 0.30 |
| 30. | YEOH AH TU | 300,000 | 0.30 |

**LIST OF SUBSTANTIAL SHAREHOLDERS**
**as at 30 March 2016**

| Name | Direct (No. of shares) | Percentage % | Deemed interest (No. of shares) | Percentage % |
|---|---|---|---|---|
| THE STRAITS TRADING COMPANY LIMITED | 28,090,000 | 28.09 | 27,205,800 | 27.21 |
| STRAITS TRADING AMALGAMATED RESOURCES SDN BHD | 17,374,500 | 17.37 | | |
| SWORD INVESTMENTS PRIVATE LIMITED | 5,396,300 | 5.40 | | |
| THE CAIRNS PRIVATE LIMITED | | | 55,295,800 | 55.30 |
| TECITY PRIVATE LIMITED | | | 55,295,800 | 55.30 |
| RAFFLES INVESTMENTS PRIVATE LIMITED | | | 55,295,800 | 55.30 |
| AEQUITAS PRIVATE LIMITED | | | 55,295,800 | 55.30 |
| DR TAN KHENG LIAN | | | 55,295,800 | 55.30 |

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# PROXY FORM

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

I/We ____________________________________________ (full name in block letters) of _______________________________________

_______________________(address) being a member/members of MALAYSIA SMELTING CORPORATION BERHAD hereby appoint

| Name | Address | NRIC / Passport Number | Proportion of Shareholdings % |
|---|---|---|---|
| | | | |

And/or (delete as appropriate)

| Name | Address | NRIC / Passport Number | Proportion of Shareholdings % |
|---|---|---|---|
| | | | |

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held at Cantonment Room, Lobby Level, Evergreen Laurel Hotel Penang, 53 Persiaran Gurney, 10250 George Town, Penang, Malaysia on Wednesday, 11 May 2016 at 11.00 a.m. 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 | Receive Report of the Directors and the Audited Financial Statements | ------------N/A------------ | |
| 2 | Re-election of Director – Dato' Ng Jui Sia | | |
| 3 | Re-election of Director – Ms Chew Gek Khim | | |
| 4 | Re-election of Director – Mr Peter Ho Kok Wai | | |
| 5 | Re-election of Director – Mr John Mathew A/L Mathai | | |
| 6 | Approval of Directors' Fees | | |
| 7 | Reappointment of Auditors | | |
| 8 | Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965 | | |

Dated this __________ day of _________ 2016.

| Total Number of Shares | |
|---|---|

____________________________________

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

**IMPORTANT: PLEASE READ NOTES BELOW**

**Notes:**

- *There shall be no restriction as to the qualification of a proxy and the provisions of Section 149(1)(b) 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 B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time of the holding of the meeting.*
- *A member shall be entitled to appoint more than one(1) proxy to attend and vote at the same meeting.*
- *Where a member appoints more than one(1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
- *If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.*

Fold along this line

Affix
Postage
Here

To:

The Company Secretary
**MALAYSIA SMELTING CORPORATION BERHAD** (Co. No. 43072-A)
B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

Fold along this line

*Registered Office*

B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II
12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Tel: (+603) 2166 9260/61 • Fax: (+603) 2161 1826

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