ANNUAL REPORT 2018

TIN 4 GROWTH VIA INNOVATION

Malaysia Smelting Corporation Berhad

(43072-A)

VISION

To be a successful world-class organisation 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 organisation, 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; and
- We aim to nurture an atmosphere of continuous self-development by emphasising 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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms. Chew Gek Khim PJG
Chairman, Non-Independent Non-Executive Chairman

Mr. Chia Chee Ming, Timothy
Senior Independent Director

Dato' Robert Teo Keng Tuan
Independent Non-Executive Director

Mr. John Mathew A/L Mathai
Independent Non-Executive Director

Datuk Kamaruddin Bin Taib
Independent Non-Executive Director

Dato' Dr. Ir. Patrick Yong Mian Thong
Group Chief Executive Office/Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

Dato' Robert Teo Keng Tuan *(Chairman)*
Ms. Chew Gek Khim
Mr. Chia Chee Ming, Timothy

NOMINATING & REMUNERATION COMMITTEE

Mr. Chia Chee Ming, Timothy *(Chairman)*
Ms. Chew Gek Khim
Mr. John Mathew A/L Mathai

COMPANY SECRETARY

Ms. Soo Han Yee (MAICSA 7008432)

KEY PERSONNEL

Dato' Dr. Ir. Patrick Yong Mian Thong
(Group Chief Executive Officer/Executive Director)

Mr. Nicolas Chen Seong Lee
(Deputy Chief Executive Officer - Administration)

Mr. Lam Hoi Khong
(Group Chief Financial Officer)

Ir. Raveentiran A/L Krishnan
(Chief Operating Officer, Smelting)

En. Madzlan Bin Zam
*(Senior General Manager,
Rahman Hydraulic Tin Sdn. Bhd.)*

Mr. Yoon Choon Kong
(Group Internal Auditor)

REGISTERED & CORPORATE OFFICE

Lot 6, 8 & 9, Jalan Perigi Nanas 6/1
Pulau Indah Industrial Park
West Port, Port Klang
42920 Pulau Indah
Selangor
Malaysia
Tel : (603) 3102 3083
Fax: (603) 3102 3080

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Singapore Exchange Securities Trading Limited

CORPORATE INFORMATION (CONT'D)

SALES & TRADING DIVISION

Unit 15-12, Level 15
West Wing, Q Sentral
2A, Jalan Stesen 2, KL Sentral
50470 Kuala Lumpur
Malaysia
Tel : (603) 2276 6260
Fax: (603) 2276 6245

BUTTERWORTH SMELTER

27 Jalan Pantai
12000 Butterworth
Penang
Malaysia
Tel : (604) 333 3500
Fax: (604) 331 7405 / 332 6499

Website: www.msmelt.com
Email: msc@msmelt.com

SHARE REGISTRARS

MALAYSIA
Boardroom Share Registrars Sdn. Bhd.
(Formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia
Tel : (603) 7849 0777
Fax: (603) 7841 8151 / 8152

SINGAPORE
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898
Tel : (65) 6236 3333
Fax: (65) 6236 3405

AUDITORS

Ernst & Young
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Tel : (603) 7495 8000
Fax: (603) 2095 5332

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad
CIMB Bank Berhad

GROWTH VIA INNOVATION

CONDUCTING **CAREER DEVELOPMENT PROGRAMMES**

RECOGNISING **EMPLOYEE CONTRIBUTIONS**

PROVIDING **REWARDS & INCENTIVES**

CULTIVATING **A CONDUCIVE WORK ENVIRONMENT**

We believe that our people shape our success, which is why we make every effort to ensure that they are equipped with the right resources and a conducive workplace to enable them to develop holistically.

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, 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 effciencies, innovating products and services as well as 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 emphasis 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.









CORPORATE PROFILE

A GLOBAL INTEGRATED TIN MINING AND SMELTING GROUP

The MSC Group is currently one of the world's leading integrated producer of tin metal and tin-based products and a global leader in custom tin smelting. The Group's existing custom smelting facility in Butterworth is one of the world's largest and, since its inception in 1902, has been supplying the world with the MSC Straits Refined tin brand which is registered at LME (London Metal Exchange) and KLTM (Kuala Lumpur Tin Market). The brand is accepted worldwide and has purity ranging from the standard Grade A (99.85% Sn) to the premium grade electrolytic tin (99.99% Sn). In 2018, the Group produced 27,085 tonnes of tin metal thus sustaining its global position as the third largest supplier of tin metal.

With its unsurpassed global reputation and stature built on experience, trust and integrity from its custom smelting business, the Group has now become a fully integrated tin producer with its acquisition of Rahman Hydraulic Tin Sdn. Bhd. in November 2004. RHT has the distinction of operating the largest open-pit eluvial tin mine in the country. Extensive exploration works and improvements to its process flowsheet since the takeover have transformed RHT to become a very significant tin producer in Malaysia.

The MSC Group is currently refurbishing an ISASMELT furnace located in Port Klang to carry out custom tin smelting. The ISASMELT furnace which uses the revolutionary TSL (Top Submerged Lance) technology will replace the reverberatory furnaces and will herald a new era and add a new dimension to the Group's smelting technology. The ISASMELT furnace has a high intrinsic smelting capacity coupled with a lower unit smelting cost which will give the Group a competitive edge in its feed materials sourcing activity. The new smelter's location is equally strategic due to its proximity to the port and LME warehouse.

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 and marketing.

MSC will pursue its growth strategy on its core business in tin through strategic acquisitions and organic growth where its core expertise can add value particularly in increasing operating efficiencies, innovating products and services to ensure its continued leadership position in the industry.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fortieth Annual General Meeting ("AGM") of MALAYSIA SMELTING CORPORATION BERHAD (the "Company") will be held at Gateway A, Level 1, Sama-Sama Hotel, KL International Airport, Jalan CTA 4B, 64000 KLIA, Sepang, Selangor Darul Ehsan, Malaysia on Friday, 24 May 2019 at 11.00 a.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESSES

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon. **{Please refer to Note B(1)}**

2. To approve the payment of a First and Final Single-Tier Dividend of 2 sen per share in respect of the financial year ended 31 December 2018. **Resolution 1**

3. To approve the Directors' Fees and Benefits of up to RM470,000.00 for the financial year ended 31 December 2018. **Resolution 2**

4. To approve the payment of Directors' Benefits of up to RM198,000.00 from 1 January 2019 until the next AGM of the Company. **Resolution 3**

5. To re-elect the following Directors of the Company who are retiring under the Constitution of the Company:

   i) Mr. Chia Chee Ming, Timothy **Resolution 4**

   ii) Dato' Dr. Ir. Yong Mian Thong **Resolution 5**

   iii) Datuk Kamaruddin Bin Taib **Resolution 6**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESSES

To consider and, if thought fit, to pass the following resolutions with or without modification:

7. **ORDINARY RESOLUTION -** **Resolution 8**

   AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. **SPECIAL RESOLUTION -** **Resolution 9**

   PROPOSED ALTERATION OR AMENDMENT OF THE CONSTITUTION OF THE COMPANY

   "THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorized to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.

9. To transact any other business of which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act 2016.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of shareholders at the Fortieth AGM, a First and Final Single-Tier Dividend of 2 sen per share in respect of the financial year ended 31 December 2018 will be paid to shareholders on 28 June 2019. The entitlement date for the said Dividend shall be on 13 June 2019.

A Depositor shall qualify for entitlement to the Dividend only in respect of:

(a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 13 June 2019 in respect of transfers.

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

BY ORDER OF THE BOARD

SOO HAN YEE (MAICSA 7008432)
Company Secretary

Date: 25 April 2019

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

A) Notes to the Notice of AGM:

1. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 May 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there is no restriction as to the qualification of a proxy.*

3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*

4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Registered Office of the Company at Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereat. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or Adjourned AGM.*

6. *If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.*

7. *Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote on poll.*

B) Explanatory Notes to Ordinary Business:

1. *Audited Financial Statements for the financial year ended 31 December 2018*

   Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders and hence, this item on the Agenda will not be put for voting.

2. *Directors' Fees for financial year ended 31 December 2018*

   The proposed Resolution 2 is to seek shareholders' approval on payment of Directors' Fees for the financial year ended 31 December 2018 for Malaysia Smelting Corporation Berhad.

3. *Directors' Benefits payable from 1 January 2019 until the next AGM of the Company*

   The proposed Resolution 3 is to seek shareholders' approval on payment of Directors' Benefits from 1 January 2019 until the next AGM of the Company. The Directors' Benefits comprise of meeting allowance payable to members of the Board and Board Committees of the Company.

C) Explanatory Notes to Special Business:

1. *Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares*

   The Company had, during its Thirty-Ninth AGM held on 30 May 2018, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Sections 75 and 76 of the Companies Act 2016, which will lapse at the conclusion of Fortieth Annual General Meeting. As at the date of this notice, the Company has on 15 August 2018 issued bonus shares pursuant to this mandate obtained.

   The renewal of this mandate will provide flexibility to the Company for any fund raising activities, including but not limited to placing of shares, for purpose of funding future investment, working capital and/or acquisitions.

2. *Proposed Alteration or Amendment of the Constitution of the Company.*

   The purpose for the proposed Alteration or Amendment of the Constitution of the Company is to align to the statutory requirements of the Companies Act 2016, provisions of Main Market Listing Requirement of Bursa Malaysia Securities Berhad and other provisions of laws and regulations that are applicable to the Company.

KEY FINANCIAL HIGHLIGHTS

		Year ended 31 December				
		2018	**2017**	**2016**	**2015**	**2014**
Revenue	(RM Mil)	**1,280.9**	1,436.2	1,477.9	1,464.9	1,915.2
Profit before tax - continuing operations	(RM Mil)	**49.8**	28.2	49.5	3.2	45.0
Income tax expense	(RM Mil)	**(15.5)**	(12.1)	(15.2)	(8.0)	(22.3)
Profit/ (Loss) attributable to the owners of the Company	(RM Mil)	**34.3**	16.1	34.3	(4.8)	(9.9)
Total assets	(RM Mil)	**842.9**	874.4	794.6	807.0	684.7
Net current assets	(RM Mil)	**158.9**	76.9	114.0	32.5	49.6
Equity attributable to the owners of the Company	(RM Mil)	**348.0**	290.8	279.1	241.0	233.9
Earnings/ (Loss) per share	(sen)	**9**	4[(1)]	9[(1)]	(1)[(1)]	(2)[(1)]
Dividend per share	(sen)	**2[(2)]**	1[(1),(3)]	2[(1),(4)]	-	-
Net assets per share attributable to the owners of the Company	(sen)	**87**	73[(1)]	70[(1)]	60[(1)]	59[(1)]
Pre-tax profit for continuing operations on average equity attributable to the owners of the Company	(%)	**16**	10	19	1	20

(1) *The figures have been adjusted to reflect the share split and bonus issue exercises completed on 15 August 2018 for comparative purposes.*

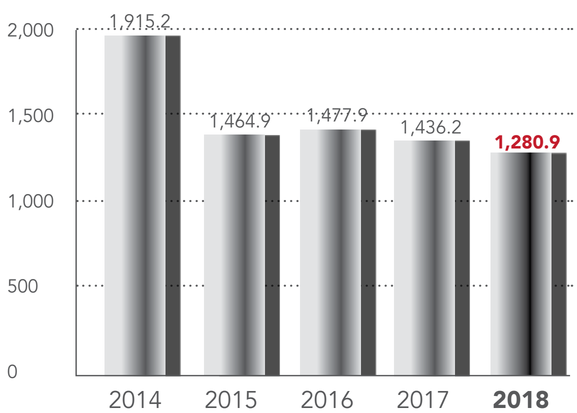
(2) *Subject to the approval of the members at the forthcoming Annual General Meeting.*

(3) *The dividend was paid on 9 July 2018.*

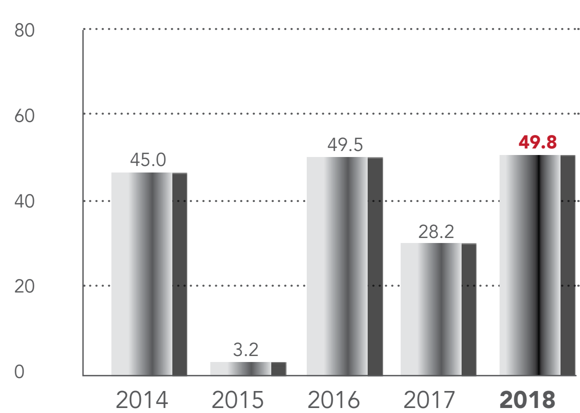
(4) *The dividend was paid on 11 July 2017.*

KEY FINANCIAL HIGHLIGHTS (CONT'D)

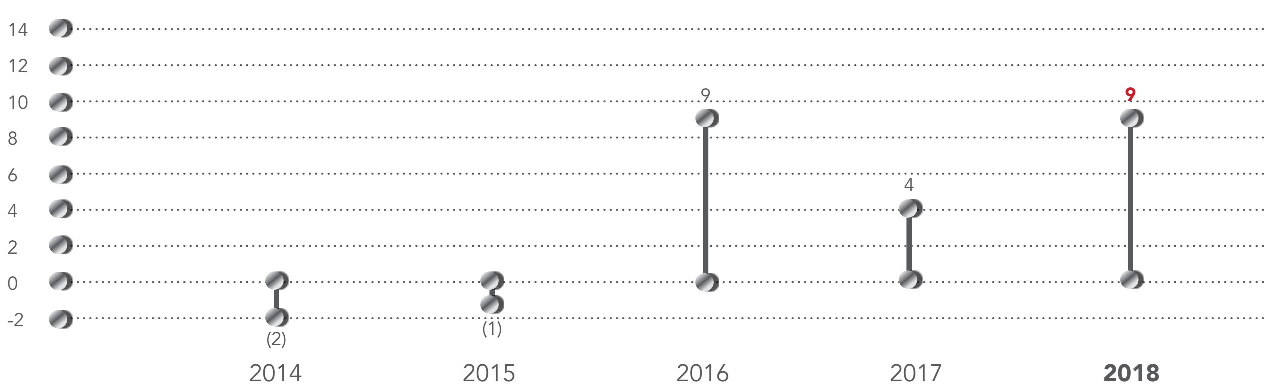
Revenue (RM Mil)



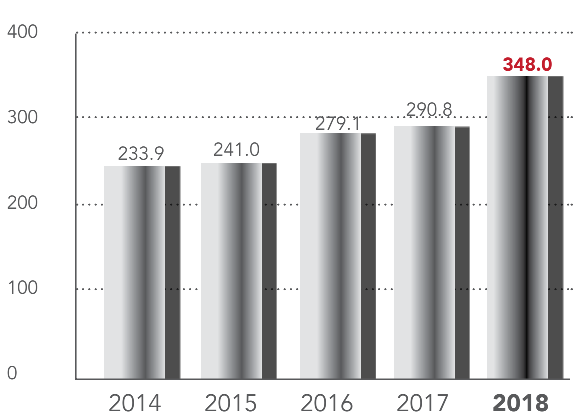
Profit Before Tax (RM Mil)



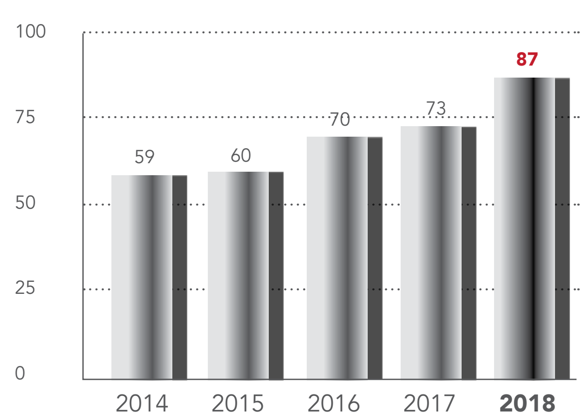
Earnings/(Loss) per share (sen)



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



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



PROFILE OF DIRECTORS

Ms. Chew Gek Khim PJG
57 years,
Singaporean, Female
Non-Independent
Non-Executive Chairman

- *LL.B (Hons), National University of Singapore*

Ms. Chew Gek Khim was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 18 March 2016. She assumed the role as Chairman of the Company on 11 May 2016. She was appointed as a member of the Nominating & Remuneration Committee and Audit & Risk Management Committee of the Company on 20 May 2016 and 30 May 2018 respectively.

Ms. Chew is a lawyer by training. She has been Chairman of The Straits Trading Company Limited since 24 April 2008, first as Non- Executive and Non-Independent Chairman and then as Executive Chairman since 1 November 2009.

She is also Executive Chairman of Tecity Group, which she joined in 1987. She is a Non Executive Chairman of ARA Trust Management (Suntec) Limited and sits on the Boards of ARA Asset Management Holdings Pte. Ltd. and Singapore Exchange Limited.

She is a Member of the Securities Industry Council of Singapore 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.

She was awarded the Chevalier de l'Ordre National du Merite in 2010, the Singapore Businessman of the Year 2014 in 2015 and the Meritorious Service Medal at the National Day Award in 2016.

Ms. Chew does not hold any other directorship in other public companies and listed issuers in Malaysia.

Mr. Chia Chee Ming, Timothy
69 years,
Singaporean, Male
Senior Independent Director

- *Bachelor of Science cum laude, majoring in Management, Fairleigh Dickinson University, United States of America*

Mr. Chia Chee Ming, Timothy was appointed as an Independent Non-Executive Director of the Company on 19 May 2016. He has been re-designated as Senior Independent Director of the Company with effect from 24 February 2017. He was appointed as the Chairman of the Nominating & Remuneration Committee and a member of Audit & Risk Management Committee of the Company on 20 May 2016 and 30 May 2018 respectively.

He is the Chairman of Hup Soon Global Corporation Private Limited. He sits on the boards of several other private and public companies, including Banyan Tree Holdings Ltd., Fraser and Neave Limited, Singapore Power Limited, Vertex Venture Holdings Ltd., Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC. He is an Advisory Council Member of the ASEAN Business Club and a Member of the Advisory Board of the Asian Civilisations Museum. He was a Member of the Board of Trustees of the Singapore Management University before stepping down in January 2019.

Mr. Chia was the former Chairman - Asia for Coutts & Co Ltd., the private banking arm of the Royal Bank of Scotland Group. From 1986 to 2004, he was a director of PAMA Group where he was responsible for private equity investments and served as President from 1995 to 2004. He was previously a director of SP PowerAssets Limited, PowerGas Limited, InnoTek Limited, and a senior advisor to EQT Funds Management Ltd.

Mr. Chia does not hold any other directorship in other public companies and listed issuers in Malaysia.

PROFILE OF DIRECTORS (CONT'D)

Dato' Robert Teo Keng Tuan
68 years,
Malaysian, Male
Independent
Non-Executive Director

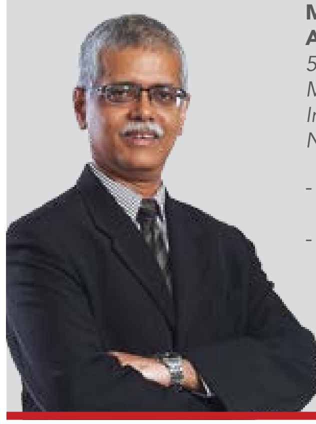
- *Member of the Malaysian Institute of Accountants*
- *Fellow member of the Institute of Chartered Accountants in England and Wales*
- *Member of the Malaysian Institute of Certified Public Accountants*
- *Associate of the Chartered Institute of Taxation, England*

Dato' Robert Teo Keng Tuan was appointed as an Independent Non-Executive Director of the Company on 17 May 2017. He was appointed as the Chairman of the Audit & Risk Management Committee of the Company on the same date.

He is a Chartered Accountant by profession. Dato' Robert Teo is the Managing Partner of RSM Malaysia, a professional public accounting firm, which is a member firm of RSM International. He has approximately forty (40) years experience in the fields of accounting, corporate taxation, audit assurance and corporate restructuring exercises. He has also undertaken Special Administrator appointments by Pengurusan Danaharta Nasional Berhad for certain public listed companies and is also involved in the restructuring of corporations including some of which are listed on the Bursa Malaysia Securities Berhad.

Dato' Robert Teo's specialised industry knowledge lies in the property, construction and housing development sector with a focus on tax planning.

Dato' Robert Teo currently sits on the board of Symphony Life Berhad, Malaysian-German Chamber of Commerce and Industry (Past President), Malaysia Australia Business Council, Malaysian Spanish Chamber of Commerce & Industry and The Tan Sri Tan Foundation.



Mr. John Mathew A/L Mathai
56 years,
Malaysian, Male
Independent
Non-Executive Director

- *LL.B (Hons), University of Malaya*
- *Advocate & Solicitor of the High Court of Malaya*

Mr. John Mathew A/L Mathai 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 both the Nominating & Remuneration Committee of the Company on 4 April 2016.

He 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 hold any other directorship in other public companies and listed issuers in Malaysia.

PROFILE OF DIRECTORS (CONT'D)

Datuk Kamaruddin Bin Taib
61 years,
Malaysian, Male
Independent
Non-Executive Director

- *Bachelor of Science in Mathematics, University of Salford, United Kingdom*

Dato' Dr. Ir. Patrick Yong Mian Thong
65 years,
Malaysian, Male
Non-Independent Executive Director/
Group Chief Executive Officer

- *Bachelor of Science (Honours) Degree in Electrical and Electronics Engineering, CNAA, United Kingdom*
- *PhD (Electrical Engineering), United States of America*
- *Registered Professional Engineer Malaysia*
- *Member of the Institution of Engineers Malaysia*

Datuk Kamaruddin Bin Taib was appointed as an Independent Non-Executive Director of the Company on 16 November 2018.

He has significant experience in investment banking, corporate finance, mergers and acquisitions. His career started in 1980 with a leading merchant bank in Malaysia. Subsequently, he served as a Director of several private companies, companies listed on Bursa Malaysia Securities Berhad ("Bursa") and companies listed on the Stock Exchange of India as well as listed on Nasdaq (U.S.A.).

Currently, Datuk Kamaruddin is the Chairman of DNV GL Malaysia Sdn Bhd, part of the Global DNV GL Group, which is a leading technical assurance company providing specialised services for the Oil and Gas Industry. He has been with the DNV GL Group since 1995, and retired as its Executive Chairman in June 2017.

Datuk Kamaruddin is currently the Independent Non-Executive Chairman of GHL Systems Berhad, Great Eastern Takaful Berhad and HSBC Amanah Malaysia Berhad. In addition, he is also an Independent Non-Executive Director of Great Eastern General Insurance (Malaysia) Berhad, BFC Exchange Sdn Bhd, FIDE FORUM (Financial Institutions Directors Education FORUM) and Fraser & Neave Holdings Berhad. He serves as a trustee for the Malaysian Oil & Gas Services Council. Prior to being a trustee, he was an elected executive council member.

Dato' Dr. Ir. Patrick Yong Mian Thong was appointed as a Chief Executive Officer of the Company on 7 October 2016. Subsequently, he was appointed to the Board of the Company as a Non-Independent Executive Director on 1 June 2018 and re-designated as Group Chief Executive Officer on 1 January 2019.

He started his career as an engineer with the National Electricity Board of Malaysia ("LLN"). In 1989, Dato' Dr. Ir. Patrick Yong left LLN to pursue his career as a consultant in electrical engineering.

Dato' Dr. Ir. Patrick Yong founded Sulfarid Technologies in 2004 and was its Managing Director. The Company was subsequently acquired by the Hup Soon Global Corporation Group in November 2007 and renamed Borid Technologies.

Throughout his line of work, Dato' Dr. Ir. Patrick Yong established his proficiency in electrical distribution systems and pursued research in the field of efficiency in energy conversion leading to a PhD in Electrical Engineering.

He was the Chief Operating Officer of Tai Kwang Yokohama Industries Berhad from 2007 to 2010 and was subsequently appointed as the Chief Executive Officer of Yokohama Industries Berhad from 2010 to 2015, managing a secondary lead smelter and SLI battery manufacturing.

Dato' Dr. Ir. Patrick Yong does not hold any other directorship in other public companies and listed issuers in Malaysia.

1. **Family Relationship with Directors and/or Major Shareholders**
   Save for the following, none of the Directors of MSC has any family relationship with other Directors and/or major shareholders of the Company:

   Ms. Chew Gek Khim is the Executive Chairman of STC, the major shareholder of the Company which owns 54.85% of the equity of the Company. Her mother is Dr. Tan Kheng Lian, a substantial shareholder of STC.

2. **Conflict of Interest**
   None of the directors have any conflict of interest with the Company.

3. **Conviction for Offences (other than traffic offences)**
   None of the Directors had any conviction for offences (other than traffic offences, if any) within the past five (5) years or been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

4. **Attendance at Board Meetings**
   Details of the Directors' attendance at the Board meetings are set out in the Corporate Governance Overview Statement on page 51 of this Annual Report.

5. **Details of Securities Holdings**
   Details of securities holdings in the Company are set out in the Analysis of Shareholdings on page 185 of this Annual Report. None of the directors hold any securities in the Company's subsidiaries.

KEY PERSONNEL PROFILE

Mr. Nicolas Chen Seong Lee
46 years,
Malaysian, Male
Deputy Chief Executive Officer (Administration)

- *LL.B (Hons), University of London*

Mr. Nicolas Chen Seong Lee started his career in the tax division of Arthur Andersen & Co., Kuala Lumpur, in 1997. In 2000, he joined the Structured Finance, Corporate Banking division of Affin Merchant Bank. He returned to tax practice in 2002 until 2010 with KPMG Tax Services Sdn. Bhd.. In KPMG, he was primarily undertaking tax advisory and tax planning assignments covering a broad range of Malaysian and overseas tax, corporate and legal issues. From 2010 to 2017, he managed an agro based company involved in farming and exporting a Malaysian produced fruit and downstream products.

Mr. Nicolas Chen joined MSC on 1 November 2017 as General Manager (Special Projects) of CEO's Office before being redesignated as Deputy Chief Executive Officer (Administration). His primary responsibility is to assist the Group Chief Executive Officer on matters covering legal, corporate, tax, human resource and administration for the MSC Group.

Mr. Lam Hoi Khong
48 years,
Malaysian, Male
Group Chief Financial Officer

- *Bachelor of Business Degree majoring in Accountancy from the University of Southern Queensland, Toowoomba, Australia*
- *Chartered Accountant, Malaysian Institute of Accountants*
- *Member of the CPA Australia*

Mr. Lam Hoi Khong was appointed as the Group Chief Financial Officer of the Company on 7 January 2019.

Mr. Lam has more than 20 years of working experience in the areas of finance and accounting, corporate finance, auditing and taxation. He spent his early formative years at PricewaterhouseCoopers before assuming higher commercial roles as Finance Manager and Group Financial Controller with Oriental Holdings Berhad and Winnerpac Group, Gabon respectively over a period of 7 years from 1997 to 2003.

Following that, Mr. Lam was attached to Petaling Tin Berhad ("PTB") for a period of over 13 years. He joined PTB as General Manager of Finance and Administration in June 2003 and assumed the role of Chief Financial Officer from November 2007 to January 2017.

Prior to joining MSC, Mr. Lam was the Group Chief Financial Officer of Tien Wah Press Holdings Berhad from February 2017 until November 2018. He was responsible to spearhead the Finance, Corporate and Risk Management functions of the Group including provision of required strategic directions on the commercial and financial aspects of the business, and help drive it to a higher level of success.

KEY PERSONNEL PROFILE (CONT'D)

Ir. Raveentiran A/L Krishnan
56 years,
Malaysian, Male
Group Chief Operating Officer, Smelting

- *Bachelor of Chemical Engineering (Chemical & Process), Universiti Kebangsaan Malaysia*
- *Registered Professional Engineer Malaysia*
- *Member of the Institution of Engineers Malaysia*

Ir. Raveentiran A/L Krishnan has been in the tin smelting industry for more than 25 years. He started his career with MSC as a Trainee Metallurgist in November 1988. He then held various positions within the Company including Safety & Environment Engineer and Research & Development Manager. He also spent 4 years in PT Koba Tin, Indonesia the then subsidiary of MSC as the Head of Metallurgy. He assumed the position of Production Manager in 2005 upon his return from Indonesia and later as the Works Manager before he was promoted to the position of General Manager, Smelting in 2010. A year later he moved up to the position of Group General Manager, Smelting.

Ir. Raveentiran assumed his current position in 2014. He is responsible for the Company's tin smelting business in Butterworth, Penang. His primary role is to ensure that the smelter remains at the forefront as the world's largest and most efficient custom tin smelter. This includes improving the smelter's sourcing of feed materials, operational efficiency and flexibility to be able to handle a wide range of tin bearing feed materials.

En. Madzlan Bin Zam
60 years,
Malaysian, Male
Senior General Manager,
Rahman Hydraulic Tin Sdn. Bhd.

- *Bachelor of Science (Honours) Degree in Geology, Universiti Kebangsaan Malaysia*
- *Registered Professional Geologist, Board of Geologists Malaysia*
- *Member of the Australasian Institute of Mining and Metallurgy*
- *Member of the Institute of Geology Malaysia*
- *Member of the Geological Society of Malaysia*
- *Member of the Malaysian Chamber of Mines*

En. Madzlan Bin Zam joined MSC in 2002 and was assigned as Manager Geology at PT Koba Tin in Indonesia between 2002 and 2011, and later held the President Director's post for PT MSC Indonesia and PT SRM Indonesia. During his tenor at PT Koba Tin, he passed the examination as the Pengawas Operasional Utama at the mine, which qualifies him to be the Mine Manager in Indonesia.

He was subsequently appointed as Head of Geology & Exploration of MSC in 2011 and was promoted to Head of Resources & Investments of the Company in May 2015. In 2017, he assumed his current position as the Senior General Manager of Rahman Hydraulic Tin Sdn. Bhd. ("RHT"), a wholly-owned subsidiary of MSC and responsible to oversee the complete operation of RHT and its tin mine at Klian Intan, Perak. At present, he is also a Director of SL Tin Sdn. Bhd., a subsidiary of RHT.

Prior to that, he had worked with Malaysia Mining Corporation Berhad between 1981 and 2002 as a Mining Geologist responsible in monitoring tin production from the dredges. He was involved in tin and gold exploration and mining development projects in Malaysia as well as overseas i.e. Indonesia, Australia, New Zealand, Lao People Democratic Republic, Thailand, Myanmar, Kyrgyz Republic, Europe and Democratic Republic of Congo.

En. Madzlan has vast experiences and knowledge in both primary and alluvial tin, gold, base metals and coal; and was also in charge of managing a tin mine in Indonesia. He has experiences working with consultants recognized by the World Bank for the Bankable Feasibility Study of the Taldy-Bulak Gold Project, Kyrgyz Republic.

KEY PERSONNEL PROFILE (CONT'D)

Mr. Yoon Choon Kong
64 years,
Malaysian, Male
Group Internal Auditor

- *Diploma in Management, Malaysian Institute of Management*
- *Associate Life Member of the Institute of Internal Auditors Malaysia*
- *Certified Lead Auditor, National Registration Scheme for Lead Assessors of Quality Systems (UK)*

Mr. Yoon Choon Kong, the Group Internal Auditor of MSC, started his career as an auditor at Messrs Sam Ah Chow & Co, Certified Public Accountants. He had joined The Straits Trading Company Limited ("STC"), currently the holding company of MSC, back in 1978 as an Accounting Officer. In 1985 he was promoted to the position of Accountant at MSC and served in that capacity up to 1995 before assuming his present position as the Group Internal Auditor for MSC. Since 2018, he also concurrently holds the portfolio of General Manager, Special Project.

Between 2006 and 2010, Mr. Yoon also headed the Internal Audit function at STC in Singapore, as Vice President, Group Internal Audit.

He has been with the STC/MSC Group for more than 40 years.

None of the key personnel :

1. Hold any directorship in public companies and listed issuers;

2. Has any family relationship with any Director and/or major shareholder of the Company;

3. Has any conflict of interest with the Company; and

4. Had any conviction for offences (other than traffic offences, if any) within the past five (5) years or been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

STATEMENT BY THE CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors ("Board"), it is my pleasure to present the Annual Report and Audited Financial Statements of MSC for the financial year ended 31 December 2018 ("FY2018").

FINANCIAL PERFORMANCE

MSC's financial performance rebounded strongly in FY2018 as net profit more than doubled to RM34.3 million from RM16.1 million in the previous year.

In tandem with the stronger financial performance, the Board has recommended a First and Final Single-Tier dividend of 2 sen per share, amounting to RM8.0 million in total. This is double the dividend paid in the previous year and represents a dividend payout ratio of 23% of MSC's FY2018 net profit.

To reward our shareholders for their loyal support, we have declared dividends over the past three consecutive years. Our dividend payout ratio in FY2016, FY2017 and FY2018 has been consistent at 23%, 25% and 23% respectively.

Whilst MSC does not have a formal dividend policy, we aim to continually declare dividends based on our available cash and taking into consideration working capital needs and capital expenditure plans for investments and growth.

ON THE RIGHT TRACK

Recently, researchers at the well-regarded Massachusetts Institute of Technology (MIT) highlighted tin as the most impacted metal by new technology as the world moves towards electric vehicles, advanced robotics and the internet of things (IoT).

This reinforces our belief that tin is a "resurgent industry" and new discoveries of tin applications in the technology sector are only the tip of the iceberg. As the industry delves deeper into the diverse uses for this unique metal, we anticipate growing demand for tin across the chemical, automotive, industrial and even medical industries.

Notwithstanding the volatilities in tin prices and foreign exchange markets, we are focused on building a sustainable business with strong fundamentals that delivers earnings resilience and profit growth.

STATEMENT BY THE CHAIRMAN (CONT'D)

Two years ago, we unveiled plans to overhaul our smelting technology into a new and modern state-of-the-art furnace. Part of that plan is to relocate the smelting operations from Butterworth, Penang to a more strategic industrial location in Pulau Indah, Klang where the new Isasmelt furnace will provide a technological advantage and improved operational efficiencies for our smelting business.

As we edge closer to completing the upgrade of our smelting facilities, we believe that it is an opportune time to explore options for unlocking the value of our Butterworth land, where our existing tin smelter is located; to pave way for future mixed commercial and residential developments which the land has been earmarked for.

On 27 September 2018, MSC's wholly-owned subsidiary, MSC Properties Sdn. Bhd. signed a Memorandum of Understanding ("MOU") with MSC's parent company and major shareholder, The Straits Trading Company Limited ("STC").

In addition to the land where MSC's tin smelting plant is located, which spans 13.9 acres, STC owns the adjacent land in Butterworth totaling 26.2 acres. On a combined basis, the land amounts to a sizeable 40.1 acres.

With the MOU in place, we seek to foster collaboration in unlocking the value of this prime land with great redevelopment potential and maximize the returns for both parties.

At this juncture, we are open to options which may include working with joint venture partners, developing the land on our own, or even land sales. With the land being freehold and in close proximity to Penang Sentral - the newly launched key transportation hub for the State of Penang, we believe it will appeal to a wide range of investors and property developers.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

During the year, the Group continued to pursue its sustainability endeavors.

We invested in environmental management and monitoring to ensure that we adopt the best practices in managing water, energy and waste at all our operating sites.

As a responsible company, we support the communities that we operate in by promoting local employment and contributing to local social development efforts.

More details on our sustainability efforts are outlined in the Sustainability Statement on pages 31 to 42 of the Annual Report.

STATEMENT BY THE CHAIRMAN (CONT'D)

GOVERNANCE AND BOARD

On 1 June 2018, Dato' Dr. Ir. Patrick Yong Mian Thong, Chief Executive Officer of MSC was appointed as Executive Director to the Board. His appointment as Executive Director on the Board will add effectiveness to the Board's composition.

I wish to welcome Datuk Kamaruddin Bin Taib who joined MSC's Board as Independent and Non-Executive Director on 16 November 2018. His accomplishments and vast experience in the corporate sector will be valuable to the Group.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my heartfelt appreciation to the management team and staff for their commitment and excellent performance as we continue on our journey to become one of the highest yielding tin miners, cost competitive tin smelters and innovative tin producers in the world.

On the executive team, I wish to also welcome Mr. Lam Hoi Khong, Group Chief Financial Officer who takes over from Mr. T. Randy Chitty who has left the Group. I would like to thank Mr. T. Randy Chitty for his contributions during his tenure of service.

Finally, I would like to express my gratitude to our shareholders, bankers, customers, suppliers, business associates and various regulatory authorities for their unwavering support over the years.

CHEW GEK KHIM PJG
Non-Independent Non-Executive Chairman

26 March 2019

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

MSC is a leading global integrated tin producer, involved in the upstream and downstream sector of the tin industry through (i) the international tin smelting business, and (ii) the local tin mining operations.

We own and operate the largest open pit-mine in Malaysia, known as Rahman Hydraulic Tin Sdn. Bhd. ("RHT") located in Pengkalan Hulu, Perak. Tin ore extracted from the mine are processed into tin-in-concentrates which are then converted into refined tin metal products at our smelter in Butterworth, Penang.

Throughout the Group, we are implementing operational improvements to enhance our long-term competitiveness.

Currently, less than 10% of the smelter's input are from our own mine whilst the remaining raw materials are sourced locally and from outside the country. Our aim is to increase using feed from our own mine by increasing the daily production at RHT as well as exploring new tin sources within Malaysia.

Meanwhile, our smelting plant in Butterworth, Penang has been operational since 1902 and utilises ageing reverberatory furnaces. We are in the midst of upgrading our smelting technology to our new Pulau Indah facility in Port Klang to enhance our production efficiencies and cost effectiveness.

TOTAL SHAREHOLDERS EQUITY
RM348.0 MILLION

PROFIT BEFORE TAX
RM49.8 MILLION

PROFIT AFTER TAX
RM34.3 MILLION

OPERATIONAL HIGHLIGHTS

LOCAL TIN MINING BUSINESS

We are pleased to report that from July 2018 onwards, we successfully increased the daily mining output of tin ore to exceed 9.0 tonnes per day, from the average 8.4 tonnes per day previously.

As a result, total production of tin-in-concentrates in FY2018 from our mine increased by 6% to 2,355 tonnes from 2,226 tonnes previously. This is expected to increase even further as we maintain our new daily mining output level during the full year of FY2019. Furthermore, future production cost on a per tonne basis will be decreasing, as a result of our improved efficiency in maximising recovery yields of tin ore.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

At our current mine pit, apart from the remaining tin resources of approximately 29,000 tonnes of tin metal, we successfully discovered the occurrence of new tin ore bodies during our drilling programs to explore new tin resources at the adjoining western side. The whole exploration works for the new resources comprising exploration drilling, metallurgical testing and resource evaluation were fully completed in 2018.

As at 1 January 2019, tin resources from the newly discovered tin ore bodies at western side comprised 4.8 million cubic meters of tin ore grading an average 4.65 KgSn/m^3 containing about 22,300 tonnes of tin metal, which are resources additional to the earlier existing resources that were discovered before 2014. The standards and guidelines used in the resources estimation of the new resources complied with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("The JORC Code").

Presently, RHT is conducting geotechnical study and pit optimization analysis to plan for a new mine pit design that is safe and economically profitable to mine the new resources. The new pit design would be the extension of the current mine pit so that the new resources could be mined together with the existing RHT resources. The geotechnical study and pit optimization analysis are expected to be completed in 2019.

Until the completion of the new pit design, RHT's mineable resources would only be in respect of resources within the current mine pit with estimated volume at 4,757,900 m^3 grading at 2.24 KgSn/m^3 and containing 10,640 tonnes of tin metal.

Aside from the efforts above, in September 2018, RHT had entered into a Memorandum of Understanding ("MOU") with Menteri Besar Incorporated Perak ("MB Inc") to lease two parcels of lands measuring approximately 100 acres and 323 acres respectively. In the near term, this will be used for waste dumping and further tin ore extraction from discards.

This will also free up space within the existing mining leases, allowing us to increase our mining productivity. In addition, the MOU will pave the way for both parties to commence strategic negotiations and other joint efforts with MB Inc.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

Developments on Sg Lembing Exploration Works

The Group's 80%-owned subsidiary, SL Tin Sdn. Bhd. ("SL Tin"), has identified an area in the mining lease at Sungai Lembing, Pahang that has the potential for small-scale mining. In 2018, SL Tin appointed a mining and ore processing contractor to undertake these works. The earthwork and construction for mine facilities commenced in 2018 and are still in progress. Mining and first commercial production are expected to be carried out in 2019.

INTERNATIONAL TIN SMELTING BUSINESS

We are now carrying out initial testing and commissioning works at the Pulau Indah smelter and we expect to complete testing by end 2019.

At the moment, the smelting division continued to incur higher expenses due to duplication of overhead costs as we operate two plants concurrently, with only one generating revenue.

Once we complete our testing, we aim to commence commercial production in early 2020, subject to us obtaining the necessary licenses from the relevant authorities.

We look forward to the full commissioning of the new plant, equipped with cutting-edge extractive technology which uses the ISASMELT™ process. Below are the key benefits of the new technology:

- ✓ Boosts maximum production capacity by 50%, up to 60,000 tonnes p.a., by using oxygen enrichment of the fuel, without incurring additional capital cost. The furnace is also able to treat a larger volume of feed materials, with higher reaction rates.

- ✓ Lower labour costs as it requires less manpower to manage the entire smelting process.

- ✓ Minimised carbon footprint with a more comprehensive single-stage continuous process, smelting tin at lower levels of energy intensity with the use of natural gas as fuel. The Top Submerged Lance technology at the new plant, unlike the one in Butterworth, will not tie down cash resources of the Group in the form of tin intermediates resulting from the multi stage smelting process. There will also be lower dust emissions and off-gases as the furnace is equipped with a more effective gas treatment system.

- ✓ The facility is situated at an attractive location, at a mature industrial area with excellent connectivity to Westport and London Metal Exchange warehouses.

Upon full migration of the smelting activities to the new plant, earnings contribution from the smelting division is expected to improve rising from enhanced cost and operational efficiencies as well as absence of overhead costs at the Butterworth plant.

FINANCIAL PERFORMANCE REVIEW

Amidst the consolidation of our business, a challenging market backdrop with volatile movement of foreign exchange rates and tin prices, escalated by the US-China trade tensions, MSC remained robust and posted a solid performance for FY2018.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

Below is a snapshot of the Group's key performance and average tin market prices:

Operating snapshot	2018	2017
Group's revenue	RM1.3 billion	RM1.4 billion
Group's profit before tax (RM million)	RM49.8 million	RM28.2 million
International Tin Smelter		
Production of refined tin (tonnes)	27,085	27,172
Profit/(Loss) before tax (RM million)	13.1	(19.5)
Tin Mine		
Production of tin-in-concentrates (tonnes)	2,355	2,226
Profit before tax (RM million)	38.1	46.7
Tin price		
Average tin market price (USD per tonne)	20,067	20,036
Average tin market price (RM per tonne) [1]	80,977	86,171
Average USD:MYR exchange rate	**1 : 4.04**	**1 : 4.30**

Note: [1] Based on the average USD:MYR exchange rate provided by Bank Negara Malaysia

Although tin prices averaged marginally higher at USD20,067/tonne in FY2018 vs. USD20,036/tonne in FY2017 (Source: Kuala Lumpur Tin Market), the appreciation of the RM against the US Dollar ("USD") had more than offset the increase in tin prices, resulting in lower average tin prices in RM terms by 6% which translated to lower PBT in our tin mining operations.

MSC's group revenue stood at RM1.3 billion in FY2018 as we saw a slight reduction in sales volume of refined tin, coupled with lower tin prices in Malaysian Ringgit ("RM") terms during the year.

The Group's PBT increased by 76% to RM49.8 million, from RM28.2 million in the previous year. Net profit more than doubled to RM34.3 million from RM16.1 million earlier.

The improved performance was mainly attributed to the turnaround of the smelting operations on the back of higher sale of by-products, as well as reversal of impairment losses (RM2.9 million) and gain on disposal of a joint venture (RM2.0 million) and overall higher operating efficiency.

STEADY FINANCIAL FOOTING

During the year, we successfully pared down our debt substantially with the repayment of short term trade financing facilities, mainly bankers acceptances. As at 31 December 2018, total bank borrowings reduced by 35% to RM293.0 million, from RM452.8 million a year ago. Consequently, our gearing ratio decreased to 0.8 times from 1.6 times a year ago.

MSC's cash flow improved significantly in FY2018, generating a positive net operating cash flow of RM74.0 million, as compared to a negative net operating cash flow in FY2017.

Meanwhile, the Group's shareholders' equity rose to RM348.0 million as at 31 December 2018, as retained earnings grew to RM139.8 million during the year. This translated to a net assets per share of 87 sen, up from 73 sen a year ago.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

DIVIDEND

At the forthcoming Annual General Meeting, a First and Final Single-Tier dividend in respect of FY2018 of 2 sen per share on 400,000,000 ordinary shares, amounting to a dividend payable of RM8.0 million will be proposed for shareholders' approval.

NOTABLE CORPORATE DEVELOPMENTS

During the year, we embarked on numerous corporate exercises to enhance long-term shareholder value.

In August 2018, the Group completed a 2-for-1 share split and 1-for-1 bonus issue with the aim of rewarding our shareholders while enhancing the Group's capital base. As a result, MSC's share capital base increased from 100 million shares to 400 million shares. This will improve the trading liquidity and marketability of our shares as well as attract a wider reach of investors.

In September 2018, a wholly-owned subsidiary of MSC, MSC Properties Sdn. Bhd. and The Straits Trading Company Limited ("STC") signed an MOU to jointly explore options on unlocking the land value owned by both parties in Butterworth, Penang. In furtherance to the MOU, a valuation exercise was carried out on the Butterworth land. The revaluation exercise gave a net revaluation surplus of RM30.5 million and the revaluation reserves were reclassified to retained earnings.

PROSPECTS AND OUTLOOK

We are encouraged by the Group's overall improved performance in FY2018 and remain steadfast in our efforts to grow the business. Going into FY2019, we are optimistic on the Group's prospects, underpinned by the ongoing rationalisation initiatives, and the positive outlook on tin as new usages of the metal in new technologies are discovered.

While solder remains as the major application of tin today, one key area of opportunity going forward, would be the usage of tin in emerging lithium-ion batteries for electric vehicles. There is research which suggests that using tin can increase the energy storage capacity significantly while improving the charging rate of the battery.

Based on a research by the International Tin Association ("ITA"), other areas of growth for tin include renewable energy generation and storage, as well as advanced computing and robotics. With these new prospects, tin demand is expected to pick up from 2025 onwards, according to the ITA.

Tin supply is anticipated to remain in deficit moving forward as governments around the globe tighten environmental laws, and tin usage increases, which will support tin prices in the mid-term.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

MSC plans to ride on tin's future growth and is planning to set up a Research and Development ("R&D") centre at its Pulau Indah facility to conduct study and analysis on new applications of tin. With the eventual move of our smelting facility to the Pulau Indah plant, we are also looking at unlocking value of the Butterworth land by collaborating with STC.

Internally, we will remain prudent in how we manage our finances and execute our rationalisation plans to better position ourselves against external headwinds. This is to ensure our investments for growth to become one of the most advanced tin mining and smelting group in the region, is on track.

ANTICIPATED RISKS

Volatility in tin price

Changes in tin price directly affect the performance of the Group. Factors which affect the movement of tin prices include tin supply and demand conditions, government and trade policies as well as global economic environment. To mitigate the impact of adverse tin price movements, the Group has entered into forward commodity contracts which acts as a hedge, as we continue to monitor the movement of tin prices.

Foreign currency rates fluctuations

We are exposed to risks associated with foreign exchange as some of our business transactions and borrowings are denominated in foreign currencies, primarily in US Dollar and Singapore Dollar. However, our exposure is minimal as we benefit from natural hedge with most of our transactions transacted in US Dollar. We also enter into forward currency contracts to hedge our foreign currencies to further reduce the residual risks.

Tighter environmental regulations

More stringent rules are imposed by governments to protect the environment. This could lead to a possible shortage of tin ore supply globally, which might affect our smelting operations. Nonetheless, we continue to explore new tin ore deposits to sustain our supply of feed intake. MSC is also in compliance with the environmental rules and regulations of the government.

ACKNOWLEDGEMENTS

I would like to express my sincerest appreciation to my fellow management team members and all employees, for their continuous hard work and commitment towards realising the goals of the Group.

Last but not least, I would like to thank our shareholders, bankers, customers, suppliers, business associates and various regulatory authorities for their continued cooperation and support.

DATO' DR. IR. PATRICK YONG MIAN THONG
Group Chief Executive Officer

26 March 2019

TIN STATISTICS

Deliveries of Refined Tin from Penang
(Tonnes Refined Tin by reported destination)

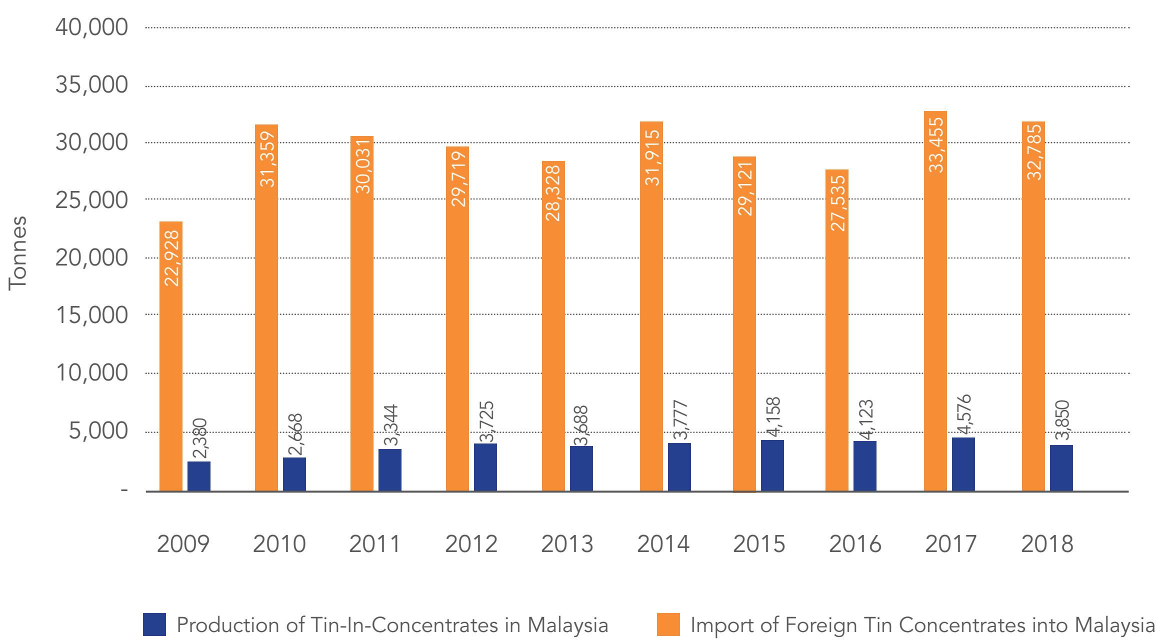
Destination	2013	2014	2015	2016	2017	2018
Africa	245	242	270	145	693	**300**
Australia & New Zealand	44	-	-	-	-	**-**
China	1,590	316	587	866	848	**784**
E. E. C. (including UK)	2,077	2,479	1,756	2,112	1,931	**2,332**
India Pakistan & Bangladesh	4,073	4,459	2,286	2,686	3,832	**890**
Japan	1,988	3,348	3,763	3,517	3,881	**3,821**
Middle East	261	266	313	265	503	**668**
Taiwan	1,534	1,394	1,034	1,075	1,025	**1,071**
Korea	7,261	7,780	6,725	5,824	1,947	**889**
Rest of Asia Pacific	-	240	273	15	76	**1,667**
Singapore	795	100	45	-	-	**-**
South America	25	325	215	-	-	**-**
U.S.A.	3,850	5,165	5,125	4,100	5,151	**7,923**
	23,743	**26,114**	**22,392**	**20,605**	**19,887**	**20,345**
Malaysia For domestic consumption*	9,349	9,037	7,572	6,375	7,263	**6,996**
	33,092	**35,151**	**29,964**	**26,980**	**27,150**	**27,341**

** Include tin deliveries to LME warehouses in Pasir Gudang and Port Klang*

TIN STATISTICS (CONT'D)

Production of Tin-In-Concentrates In Malaysia		Import of Foreign Tin Concentrates Into Malaysia	
Year	Tonnes	Year	Tonnes
2009	2,380	2009	22,928
2010	2,668	2010	31,359
2011	3,344	2011	33,031
2012	3,725	2012	29,719
2013	3,688	2013	28,328
2014	3,777	2014	31,915
2015	4,158	2015	29,121
2016	4,123	2016	27,535
2017	4,576	2017	33,455
2018	3,850	2018	32,785

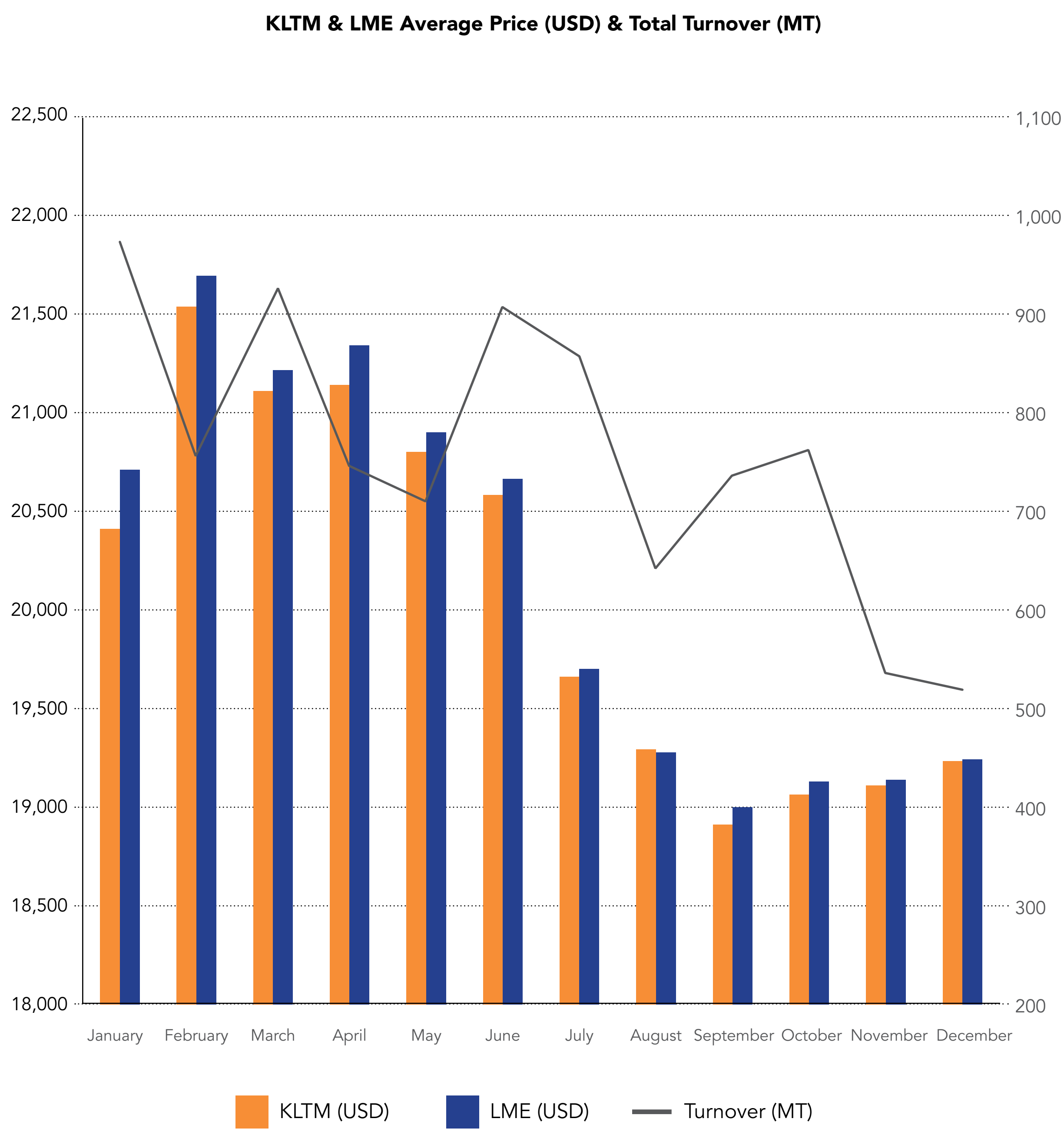
Production of Tin-In-Concentrates in Malaysia and Import of Foreign Tin Concentrates into Malaysia



TIN STATISTICS (CONT'D)

	KLTM				
	Highest USD per tonne	Lowest USD per tonne	Average USD per tonne	KLTM Turnover (Tonnes)	LME 3-Month Buying Average USD per tonne
2009	16,800	10,130	12,493	16,900	18,341
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
2016	22,000	13,250	17,926	11,568	17,861
2017	21,100	18,900	20,027	8,890	19,970
2018	21,900	18,450	20,071	9,077	20,063
2018					
January	21,900	19,810	20,410	973	20,584
February	21,800	21,150	21,538	756	21,526
March	21,550	20,700	21,110	933	21,106
April	21,630	20,910	21,141	746	21,139
May	21,150	20,170	20,801	710	20,767
June	21,050	19,700	20,582	907	20,555
July	20,100	19,370	19,660	857	19,595
August	20,050	18,600	19,293	642	19,204
September	19,000	18,800	18,911	736	18,925
October	19,270	18,880	19,063	762	19,079
November	19,450	18,450	19,110	536	19,095
December	19,550	18,850	19,234	519	19,187

TIN STATISTICS (CONT'D)



SUSTAINABILITY STATEMENT 2018

ABOUT THIS REPORT

Sustainability continues to be a top priority at Malaysia Smelting Corporation Berhad ("MSC" or "the Group"). This Sustainability Statement marks our second year reporting our sustainability initiatives. It provides our stakeholders insights on our economic, environmental and social efforts as well as progress made by the Group during the year.

The reporting period for this Statement aligns with MSC's financial year from 1 January 2018 to 31 December 2018. The scope of this report covers initiatives undertaken by our tin mining business in Klian Intan, Perak as well as our tin smelting operations in Butterworth, Penang and Pulau Indah, Port Klang.

This Statement is prepared in accordance with the Bursa Malaysia Securities Berhad's Main Market Listing Requirements relating to Sustainability Statements in Annual Reports of Listed Issuers.

Sustainability Governance

The Board of Directors of MSC oversees the Group's sustainability strategy and performance. MSC's Senior Management team, led by our Group Chief Executive Officer, Dato' Dr. Ir. Patrick Yong Mian Thong, is responsible for developing and implementing the Group's sustainability approach and initiatives.

2018 Performance Highlights

Investment in environmental management and monitoring — **RM5.2 million**

~ RM320,000
Investment in staff development

41% increase [1]
in training hours per employee

1,101
employees

92% Of tin mining employees are locals

~ RM 500,000
Contribution to local communities

0%
Fatalities

16.1 incidences
Per million manhours worked

17% energy consumed from renewable sources

2% reduction [1]
in energy consumption

6% reduction [1]
in energy intensity

Note: [1] As compared to 2017

SUSTAINABILITY STATEMENT 2018 (CONT'D)

MSC IS A CONFLICT-FREE SMELTER

As a global integrated tin producer, MSC obtains its feed materials for tin smelting from various sources around the world. Being a member of International Tin Association ("ITA"), we participate in the Conflict-Free Smelter ("CFS") Program and adopt the Tin Supply Chain Initiatives ("iTSCi") as we commit to becoming a CFS and adopt a policy on conflict minerals.

iTSCi is a collaboration between the international tin industry (represented by ITA) and the Tantalum-Niobium International Study Centre, of which MSC is also a member. It is a traceability, tracking and due diligence programme which allows exports of conflict-free materials from Democratic Republic of Congo ("DRC") and its neighbouring countries, to enter the global supply chain.

We are committed to responsible corporate citizenship as we conduct supply chain due diligence as required by relevant regulations to ensure we avoid trading tin cassiterite that benefits armed groups in the region.

A CFS audit is conducted annually for MSC to be validated as a responsible and sustainable tin smelter.

EMBRACE THE "SOCIAL AND ENVIRONMENTAL LICENSE TO OPERATE" CONCEPT

We continue to embrace the "Social and Environmental License to Operate" concept as we contribute to the development of the environment and social well-being of local communities. It is an important concept which reinforces our commitment to ethical business practices, built upon meaningful stakeholder engagement for the mutual benefit of the Group and the local population.

Social engagement is important to us. We commit to building trust with the community whilst enhancing the credibility and legitimacy of the Group. We communicate with members of the community to identify and respond to their concerns, with the aim of delivering sustainable socio-economic benefits which are in line with ethical business practices.

We are also responsible in introducing and implementing effective environmental management programmes and comply with regulations as we are aware of the impact that our operations have on the surrounding environment.

SUSTAINABILITY STATEMENT 2018 (CONT'D)

OUR MATERIAL MATTERS

MSC's material matters are the foundation of significant economic, environmental and social impacts to both our business and stakeholders. Our stakeholders' assessment involved a structured process where we engaged key internal stakeholders to identify material matters. The identified issues are then further analysed and refined by Senior Management, and presented in this Sustainability Statement. The matrix illustrates the results of our assessment.

Materiality Matrix

1. Financial performance
2. Sustainable procurement practice
3. Corporate governance and ethical behavior
4. Fluctuation in tin metal prices
5. Fluctuation in foreign exchange currencies
6. International trade policies
7. Waste management
8. Water management
9. Energy management
10. Air quality management
11. Recycling of waste materials
12. Mine rehabilitation efforts
13. Compliance of environmental laws
14. Occupational safety and health
15. Employees' welfare
16. Training and development
17. Diversity in workplace
18. Community development
19. Human rights
20. Shareholders' relations

SUSTAINABILITY STATEMENT 2018 (CONT'D)

STAKEHOLDER ENGAGEMENT

In 2018, MSC continued to engage with key stakeholders through various channels of communication. We aim to foster strong relationships with our stakeholders as it enables us to gain more clarity on the important issues which affect them. The table below summarises MSC's key stakeholder groups, methods of engagements as well as outcome of engagement:

Stakeholders	Engagement Methods	Outcome of Engagement
Investors/Shareholders	Annual General Meeting Bursa announcements Investor briefings and meetings Press releases Corporate website	Improved understanding of MSC's business operations and financial performance.
Customers	Regular updates Engagement survey Meetings Site visits Networking conferences	Improved insight on MSC's policies and business operations; better understanding of clients' needs; keeping abreast with the changes in the tin industry in terms of supply and demand, tin technology and applications, among others.
Employees	Engagement sessions with management Human Resource programmes such as staff training and development Social events such as Annual Dinner and Family Days Sport and recreational activities	Increased awareness of MSC's policies, core values and culture; improved staff morale and work environment.
Local communities	Meet-ups with community Community events Charitable activities	Improved rapport with community; develop shared initiatives and activities.
Government agencies (Department of Environment, Department of Safety and Health, Department of Mineral and Geoscience, Atomic Energy Licensing Board)	On-site inspections Incident reports Regular reports Regular meetings Events	Compliance with regulations.

SUSTAINABILITY STATEMENT 2018 (CONT'D)

Stakeholders	Engagement Methods	Outcome of Engagement
Industry associations (International Tin Association)	Open dialogues Industry events Interviews Task force	Keeping abreast with the changes in the tin industry in terms of supply and demand, tin technology and applications, among others.
Non-governmental organisations	Site visits Meetings Events	Improved understanding of NGO's concerns and issues on the tin industry; increase NGO's awareness of MSC's policies, sustainable practices and operations.

ENVIRONMENTAL IMPACT

At MSC, we recognise that environmental sustainability is as important as business sustainability. As one of the world's largest tin producer, we strive to adopt best practices to mitigate potentially adverse effects to the environment. In 2018, MSC had expended over RM5.2 million for environmental management and monitoring, as we continue to make positive strides in managing our carbon footprint.

Progressive Mine Rehabilitation

The Group emphasises its efforts in rehabilitating its mined-out areas, whenever possible and practical, with the intention to return mined areas to a productive use following a closure. In this regard, MSC's subsidiary, RHT in Klian Intan, Pengkalan Hulu, Perak, which owns and operates the oldest and largest open-pit tin mine in Malaysia, has instituted a Mine Rehabilitation Plan ("MRP") as statutorily required by the authorities, which aims to maximise potential for a sustainable and positive impact.

As part of the MRP, RHT continues to progressively stabilise and green the inactive areas by planting trees, grasses or hydroseeding on the slopes of the mined-out areas to avoid erosion and sedimentation into nearby streams.

Plant nursery at RHT

FRIM-RHT collaboration project on Afforestation and Reforestation on ex-mining land

SUSTAINABILITY STATEMENT 2018 (CONT'D)

To date, RHT has progressively rehabilitated about 32 hectares of its mined out area. RHT has also entered into a collaboration with the Forest Research Institute, Malaysia ("FRIM") on afforestation and reforestation of mined-out lands, covering a total area of 4 hectares. The findings from the study on suitable planting method and tree species will be adopted in the eventual mine closure. The project is on-going until 2020.

Water Management

Water Recycling

Water is a shared resource and an integral part of our tin mining and smelting operations. How we manage and consume this resource is key for the Group's long-term sustainable business and operations.

In 2018, we continued to commit to best practices for water management through a closed-circuit water circulation system, where 100% of the water discharged from the ore processing plants at RHT mine are recycled. Our mining activities consumed over approximately 8.9 billion gallons of recycled water during the year, consistent with 2017, despite the increase in tin ore volume. To replenish some water loss from evapotranspiration and water seepages, 528 million gallons of fresh water was pumped from Sg. Kijang river during the year.

8.9 billion
gallons of
recycled water

As we move forward, we intend to become more water efficient by reducing the water abstraction and increase water re-use and recycling at our operations.

Water Quality Monitoring & Water Treatment

Our sites are responsible to treat the discharged wastewater seepages in accordance with regulatory requirements set by the Department of Environment ("DOE") and the Department of Mineral and Geoscience ("DMG"). To observe any environmental impact and ensure protection of the aquatic environment and communities downstream of our activities, we have put in place effective water quality monitoring systems at our operations and surrounding rivers.

Mine effluent treatment using hydrated lime

The quality of the water at the river exits of Kijang Dam and Kepayang Dam at RHT mining leases are monitored and recorded twice a day. The results, together with photos, will then be submitted to DMG at the end of each day. In addition, daily pH monitoring is also conducted at several sampling points along Sg. Kijang river and water ponds within the mining leases.

Apart from water quality monitoring and sampling, RHT also undertakes additional proactive steps by conducting lime dosing operations at several stations along Sg. Kijang, Sg. Kepayang and Sg. Duri rivers, to neutralise the acidity of river water.

SUSTAINABILITY STATEMENT 2018 (CONT'D)

Waste Management

We are aware that our tin mining and smelting operations produce significant volume of waste which might have an impact on the environment.

The waste our operations generate, which includes non-hazardous and hazardous materials, are the by-products of the mining process and are in the form of tailings and overburden, as well as wastewater.

RHT's activities at Klian Intan mine pit involves drilling and blasting of both ore and overburden. These materials are removed using hydraulic excavators and dump trucks. The ore materials will then be separated from the overburden and sent to the ore processing plants for processing, while the overburden will mostly be deposited in the Southern Waste Dump located at the foothill of Gunung Paku.

With an increase in production of tin concentrates in 2018, the loose volume of tailings our mining operations generated have also increased to 1.5 million m^3 from 1.4 million m^3 in 2017. In an effort to ensure sufficient capacity to sustain mining operations until 2030, the Group has taken proactive measures and proposed the raising of tailings dam and bunds to store slimes and creating new sand tailings dumps within the mining lease.

Raising of tailing dam

The Group's hazardous waste materials are disposed following a scheduled waste management system in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the Environmental Quality Act (EQA) 1974. The waste materials are segregated and labelled clearly as well as monitored and recorded in a proper inventory before sending wastes to our licensed contractors. The whole process is supervised by a Competent Person in Scheduled Waste Management ("CePSWaM") registered under the DOE. To date, the Group has successfully complied with the regulations and procedures as prescribed in the law.

Energy Management

As mining and smelting activities are energy-intensive in nature, managing energy consumption and greenhouse gas emissions is becoming increasingly important for MSC. As such, we have an Efficient Electrical Energy Management Policy in place with a responsibility to reduce carbon footprint across our value chain. The Policy's objective is to improve cost-effectiveness and productivity while minimising energy wastage for the Group.

MSC is committed to a structured and transparent approach to our energy usage reporting. Our smelting facility in Butterworth is equipped with an energy consumption monitoring system for the main substation, high-load equipment and the switch house, while energy usage at our mining operations are logged at the pumping stations and grinding mills using an Energy Meter. The logged data will then be submitted to key persons in the Electrical Maintenance Department to verify and approve. The energy consumption and intensity information will also be sent to Malaysia's Energy Commission, in compliance with Electricity Law and Regulations.

SUSTAINABILITY STATEMENT 2018 (CONT'D)

Energy Consumption
2% reduction

Energy Intensity
6% reduction

For 2018, the Group's overall electricity consumption improved marginally by 2% to 33.2 GWh from 33.9 GWh in 2017. We also track the Group's energy intensity level, measuring how much energy our operations consume per tonne of output and are pleased to state that we recorded a 6% drop in energy intensity during the year.

This reduction is a result of the Group's commitment to conserve energy with continuous improvement of practices and systems. At our Butterworth smelting plant, we saved:

- 35,000 kWh/year of power by using a more efficient inverter to control the two main suction fan motors at the Gas Handling Plant.
- 108,000 kWh/year of power by upgrading to LED lighting.

Moving forward, we expect further optimisation of energy consumption once the Pulau Indah plant is fully commissioned, with the usage of Top Submerged Lance ("TSL") furnace for smelting tin.

At the mine, RHT operates a 1.0 MW mini hydro power station, which utilises water, a renewable source, to produce energy for our mining operations. We are proud to be one of the few mining companies which utilises hydro plants to generate electricity, in line with our mission to become more energy-efficient as this initiative has reduced our dependency on the national grid for power, apart from as an alternative to the more expensive power generated by the diesel-driven generator sets. In 2018, 17.3% of the Group's total energy consumption was generated by the mini hydro plant.

17.3% of MSC's energy consumption is generated by renewable sources

For further cost-savings, RHT tries to conduct some of its water pumping activities during off-peak hours as the tariffs are significantly less than on-peak hours charges. We have also employed a dedicated Registered Energy Manager who is responsible for advising us on energy management matters. The Energy Manager analyses energy usage levels and then submits a report to the Energy Commission on a monthly basis for monitoring.

Our additional energy saving efforts also include raising awareness of employees to adopt a more conservative approach to energy usage, while new projects shall consider using energy-efficient equipment and machinery, when possible.

SUSTAINABILITY STATEMENT 2018 (CONT'D)

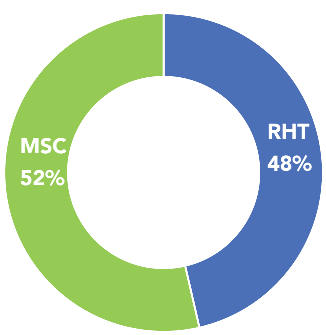
SOCIAL IMPACT

Our People

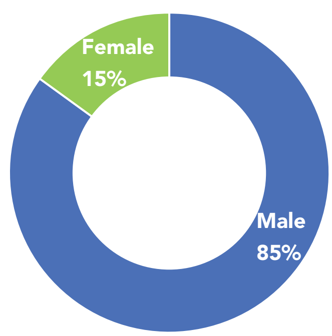
MSC believes that its employees are one of its greatest assets. Our success relies on a safe and skill-driven workforce. It is our priority to foster a safe and productive work environment, including the tools and training for them to upskill and develop their capabilities to effectively carry out their roles and pursue opportunities. This is achieved through our Human Resources policies and initiatives.

As at end-2018, we had a diverse workforce of over 1,100 employees working at our corporate office, mines and smelting facilities. MSC embraces diversity within our workforce with 15% comprising of women employees. Although mining and smelting have traditionally been a male-dominated industry, MSC promotes equal opportunities and is working towards increasing employment opportunities for women.

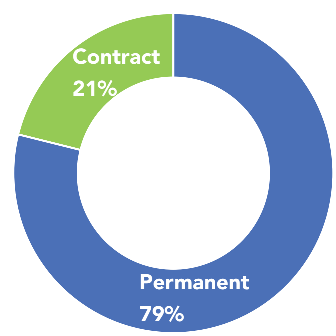
Breakdown by company



Breakdown by gender



Breakdown by category



Employees' Engagement and Development

Human capital is the backbone of MSC as we place great emphasis in developing our people to reach their full potential. This development is achieved through training programmes and exposure on the job.

RM320,000

Investment in staff training in 2018

133,732 hours

Training hours

In 2018, MSC invested over RM320,000 in training and upskilling of our employees. This represents a 77% increase from 2017, reflecting on our commitment to our employees' development.

Our employees received a total of 133,732 hours of training in 2018, equating to an average of approximately 122 hours per employee, as compared to 86 hours of training per employee in 2017.

Technical knowledge training to perform specific tasks as well as managerial skills development were the main objectives of employee training across our operations in 2018, in addition to health and safety programmes.

SUSTAINABILITY STATEMENT 2018 (CONT'D)

As part of our talent attraction and retention strategy, we continue to offer competitive packages for our employees. We appreciate and value our people, and reward their hard work with fair remuneration, career development opportunities and further training prospects. Remuneration is based on an annual performance review conducted between employees and Head of Departments.

Beyond this, full-time employees are also provided with on-the-job benefits which include annual leaves, health and medical coverage, contribution to retirement funds as well as financial and housing assistance for deserving employees, among others.

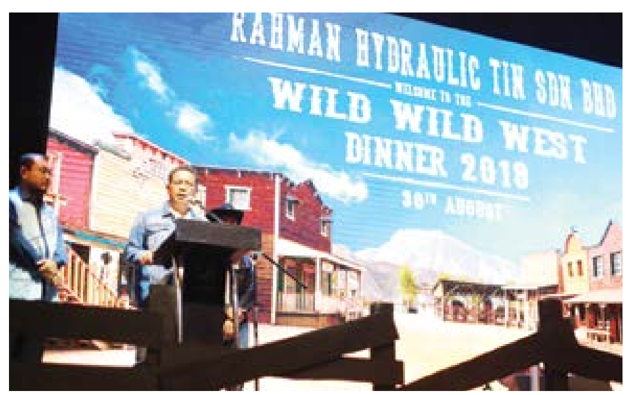
Slinging and Rigging training

Enhancing Employees' Well-Being

We encourage a workplace which promotes well-being as it is vital to ensuring a healthy and sustainable workforce. Hence, we actively engage and promote sporting and get-together activities to encourage healthy lifestyle amongst our employees. These social interactions are also aimed at fostering closer relationships and building team work amongst employees.

During the year, the Group had organised several group activities such as kayaking activity at Baling, Kedah, as well as a fishing competition for our mining employees. MSC had also organised a Family Day at Pulau Perhentian and Annual Dinner to build teamwork and togetherness.

Kayaking activity



Annual Dinner

Health and Safety

The health and safety of our employees remains a top priority. MSC conducts its business with a high standard of safety and health protection for our employees and stakeholders. In this regard, we are committed to continuous improvement in order to mitigate any potential adverse impacts by creating awareness and educating employees on our Occupational Safety and Health ("OSH") Policy. The Group's OSH Policy is continuously being reviewed for improvement of work procedures to govern and improve employees' health and safety in the workplace.

SUSTAINABILITY STATEMENT 2018 (CONT'D)

We have set up a dedicated OSH Committee, which comprise of 56 key members across our operations, to effectively implement the Group's OSH policy and manage occupational risks at our mines and smelters. Apart from the OSH Committee, the Group also has an Emergency Response Team, which comprise of over 30 employees at the smelting operations and 38 at our mining site, who are prepared to respond should an emergency situation arise.

In 2018, 24 training programmes were conducted in relation to health and safety, including courses on emergency response plan, accident prevention and radiation safety awareness, to name a few.

Accident Prevention and Application of Personal Protection Equipment training

Basic Fire Fighting and Emergency Response Plan training

16.1 incidences
per million manhours worked

At MSC, our goal is to achieve zero fatalities and to minimise our incident cases. We are proud to state that we have again achieved our target of zero fatalities. However, we experienced a total of 67 Lost Time Injury ("LTI") cases in 2018 and achieved a Lost Time Injury Frequency rate of 16.1 LTIs per million hours worked.

Creating Value for Society

Our goal at MSC is to be a catalyst for sustainable development for the surrounding communities where we operate in. We continued to engage with the members of local community through meet-ups and community events, to forge stronger relationships and better understand their concerns and expectations to create long-term value.

As a responsible company, we commit to enriching lives of the members of the local community while ensuring that our operations don't create any negative impacts on them. We focus on enhancing the value of our local contribution by procuring goods and services from local business partners and promote local employment.

92% *of mining employees are locals*

In 2018, RHT partnered with 47 local business partners, representing 10% of our mining business partners, while 92% of the RHT's total workforce are employed locally.

SUSTAINABILITY STATEMENT 2018 (CONT'D)

RM500,000 **Investment in local community**

The Group endeavours to strengthen its Corporate Social Responsibility ("CSR") efforts by making contributions to local authorities as well as charitable donations to welfare establishments and communities. A total of over RM500,000 was contributed in 2018 to the local social development for non-profit set-ups such as Yayasan Sultan Idris Shah and Pertubuhan Kebajikan Pengkalan Hulu, as compared to RM193,500 in 2017. As part of the Group's CSR initiatives in 2018, RHT had also donated a garbage compactor truck to the Pengkalan Hulu District Council, in line with our sustainability agenda.

Garbage Compactor Truck Handover to Pengkalan Hulu District Council

Contribution to local community for Hari Raya

MSC understands that education is fundamental to growth. In this regard, we have invested over RM43,000 in 2018 for practical training students and undergraduates from numerous educational institutions, including Universiti Malaya and Universiti Sains Malaysia, as part of their industrial training programmes.

RESPONSIBLE MINERALS SOURCING (RMS) AUDIT REPORT 2018

As a leading custom tin smelter in the world, MSC played a pivotal role during the formation of a supply chain transparency protocol together with International Tin Association ("ITA") and Conflict Free Smelter Initiative ("CFSI") back in 2010. The cornerstone of the supply chain transparency program was conflict free minerals sourcing. Independent audits were conducted on tin smelters and MSC was one of the first international smelters to be accredited as a Conflict Free Smelter ("CFS") smelter in 2011. MSC continued to be actively involved in the Conflict Free Smelter Program ("CFSP") as it evolved to be known today as Responsible Minerals Assurance Program ("RMAP"). It has been a hugely successful partnership with ITA, RMI, RBA and GeSI which led to the transformation of the protocol. The protocol is now aligned with the United Nations ("UN") and the Organisation for Economic Co-operation and Development ("OECD") Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act.

The initial tin supply chain transparency protocol was designed primarily to target the Democratic Republic of Congo ("DRC") and the adjoining countries which had been plagued by conflict due to illegal minerals trade. Additional countries were added on to the scope in later years as these countries were potential transition route in the minerals trade. The successful implementation of the iTSCi scheme led to responsible minerals trade involving all the stakeholders in the supply chain. It has since replaced illegal minerals trade which was prevalent before the inception of the iTSCi program. MSC has been credited for active engagement throughout the process despite the huge challenges faced by the program in the early days.

The new responsible minerals assurance standard was developed to align its scope with that of OECD and UN guidance which emphasizes sustainable corporate engagement and applies a global definition of Conflict Affected and High-Risk Areas ("CAHRAs") which mandates smelters to implement due diligence proportional to the risk profile of the tin sources.

MSC has a strong management system in place, led by a team with vast experience in supply chain and minerals sourcing. It conducts risk assessments based on the collection of supply chain information and reports on due diligence regardless of source of origin.

MSC has a comprehensive due diligence program embedded in its sourcing policy to ensure responsible and sustainable mineral sourcing and supply chain in its operation. MSC conducted on-site due diligence on CAHRAs countries such as Myanmar and DRC to ensure sourcing processes from these countries were in compliance. These site visits cum due diligence assessment is important to MSC as it provides assurance that these suppliers are adhering to the latest RMAP requirements before the tin ore is shipped to MSC.

RESPONSIBLE MINERALS SOURCING (RMS) AUDIT REPORT 2018 (CONT'D)

A number of mines in the Dawei region, Myanmar was visited by MSC staff. This includes touching base with major tin ore suppliers from the area and vetting their production reports and company profiles.

This was followed by a visit and due diligence assessment of Alphamin's tin project in Bisie, North Kivu, DRC – the first large commercial tin mine in the eastern DRC which is projected to produce up to 15,000 tonnes of tin concentrates per annum. The Bisie tin deposit is one of the largest and most significant underground tin deposits in the world.

MSC maintains a Responsible Minerals Sourcing ("RMS") Policy, available on its website, pursuant to which the Company;

1. Prevent the extraction and trade of minerals from becoming a source of conflict, human rights abuse, and insecurity.

2. Cultivate transparent mineral supply chains and sustainable corporate engagement in the mineral sourcing activities, thereby supporting the economy of the region and the local communities that depend on this trade for their livelihood.

3. Promote sustainable development of the tin industries in the region through investments in industrial scale exploration, mining, mineral processing and smelting of tin and associated minerals.

MSC had successfully completed the annual Conflict-Free Smelter audit in conformance with RMAP protocol and has been certified as a RMAP compliant smelter in 2018. The next audit has been scheduled for June 2019. MSC is committed to responsible sourcing and to uphold its social and sustainable responsibilities by sourcing from conflict free areas and exercise due diligence in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from CAHRAs. MSC will continue to support initiatives by RMI and ITA by reaching out to all stakeholders and actors in the tin supply chain. This is to cultivate and promote greater transparency and due diligence in the minerals sector. As a certified RMAP Smelter, MSC will continue to subscribe to the RMAP and iTSCi due diligence program by reviewing data provided by iTSCi and exercising due diligence that include but not limited to ground assessment and mine visits. MSC will continue to spearhead responsible and sustainable sourcing and transparency in its supply chain to meet OECD's expectations on sustainability and social responsibility going forward.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("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 2017 ("MCCG" or "Code"). This statement sets out how the Company has applied the three key Principles of good corporate governance as enumerated in the MCCG during the financial year within Malaysia Smelting Corporation Berhad ("Company") and its subsidiaries ("Group"). Where a specific practice of the MCCG has not been observed during the financial year under review, the non-observation, including the reasons thereof, is included in this statement.

This statement is prepared in compliance with the MCCG and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and should be read together with the Corporate Governance Report ("CG Report") of the Company which provides details on how the Company applied each Practice as set out in the MCCG during the financial year 2018. The Company's CG Report is available on the Company's website, www.msmelt.com.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

1.1 Strategic Aims, Values and Standards

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 promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior;
- 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 Key Senior Management;
- to review management proposals for the Company; and
- to review the adequacy and the integrity of the Group's internal control system and management information system.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

1.1 Strategic Aims, Values and Standards (cont'd)

To ensure the proper discharge of its stewardship role, the Board has established Board Committees, namely the Audit & Risk Management Committee and Nominating & 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.

The roles and functions of the Board, as well as roles delegated to Management, are clearly delineated in the Board Charter, 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 and Delegation of Authority which complement and reinforce the supervisory role of the Board.

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

The Company has also 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 Group, namely Internal Auditor, Company Secretary, Chief Operating Officer or the chairman of the Audit & Risk Management 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.

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.

1.2 Chairman and Chief Executive Officer

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

1.2 Chairman and Chief Executive Officer (cont'd)

Chairman

Ms. Chew Gek Khim, a Non-Independent Non-Executive Director, is the Chairman of the Company and she leads 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.

In carrying out her role, the Chairman works with Senior management and promote effective relations with stakeholders and shareholders besides managing the Board.

CEO

Dato' Dr. Ir. Yong Mian Thong as the Group CEO and Executive Director 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 Group CEO and Executive Director is also tasked with ensuring that whilst the ultimate objective is maximising total shareholders' return, the 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's organisation.

1.3 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 Sustainability Statement is disclosed on pages 31 to 42 of this Annual Report.

1.4 Access to Information and Advice

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 corporate governance, new statutory and regulatory requirements, and their resultant implications to the Company and Directors in relation to the duties and responsibilities of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

1.4 Access to Information and Advice (cont'd)

The Company Secretary, a member of Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA"), oversees adherence to board policies & procedures and corporate governance issues, 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.

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.

The 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. Minutes of Board and Board Committee's meeting are circulated in a timely manner for review.

2. BOARD COMPOSITION

2.1 Board of Directors

As at the date of this Statement, the Board comprises six (6) members, all Non-Executive Directors, four (4) of whom are Independent. The Board is chaired by a Non-Independent Non-Executive Director. The Board comprises a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Independent Directors provide the necessary check and balances in the Board exercising their functions and decision making process.

This composition fulfills the requirements set out under the Bursa Malaysia'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 Board members are from different backgrounds with diverse perspectives. The mix of skills and experience is essential for successful attainment of corporate plans and objectives of the Group. A brief description of each of the Director's background is set out in the Directors' Profile on pages 12 to 14 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

2.2 Tenure of Independent Director

The Independent 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 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.

For the independent director of whom the tenure exceeds a cumulative term of nine (9) years, the independent director may continue to serve the Board subject to the director's re-designation as a non-independent director upon his/her completion of the nine (9) years. The Directors' Independence Policy serves as a guide in limiting the tenure of the independent director to nine (9) years and ensuring the independence of directors.

However, the Board may, in exceptional circumstances decide that a director remains as an independent director after serving a cumulative term of nine (9) years, subject to the following:

(i) assessment by the Nominating & Remuneration Committee, regarding the independence and contribution of the said Director; and

(ii) shareholders' approval in a general meeting, where the Board, assisted by the Nominating Committee, provides strong justification on such recommendation.

2.3 Diversity of Board and Key Senior Management Team

The appointment of Board and Key Senior Management are based on their merit, skill and working experience and due regard are placed for diversity in terms of skills, experience and cultural background. The Board Diversity Policy serves as a guide in ensuring the diversity of the Board which enhances the effective contribution of all Directors. The Board does not have a specific policy for setting targets for women or age composition on the Board as the Board believes in fair and equal participation for all individuals of right caliber irrespective of race, age or gender.

Please refer to the Profile of Directors and Key Personnel team on pages 12 to 14 and 15 to 17 respectively for further information.

2.4 Nominating & Remuneration Committee

The chairman of the Nominating & Remuneration Committee is Mr. Chia Chee Ming, Timothy, the Senior Independent Director of the Company. The Committee is primarily responsible to advise the Board on the nomination of new Board members and/or Board member and assessment of the effectiveness of the Board as a whole, the Committees of the Board, to conduct an assessment and evaluation on the contribution of each individual director and effectiveness of the Audit & Risk Management Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

2.4 Nominating & Remuneration Committee (cont'd)

The Committee is also responsible for reviewing the Board composition and right mix of skills and balance as well as considering the Board's succession planning and making recommendations for new appointment of directors and members of Board Committees as well as identifying suitable training programme for the Board. It also recommends to the Board on the remuneration policy and framework, performance measures criteria and proposes to the Board on the remuneration of the directors and key senior management.

The Terms of Reference of the Nominating & Remuneration Committee is set out in the Board Charter and is available on the Company's website at www.msmelt.com.

2.5 Recruitment Process and Annual Assessment of Directors

In discharging its responsibilities, the Nominating & Remuneration 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 & Remuneration 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 Directors. The Nominating & Remuneration Committee met with each of the newly appointed Directors during the financial year under review, in person prior to recommending their appointment to the Board.

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 & Remuneration Committee reviews the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board.

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 is one (1) woman director in the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

2.5 Recruitment Process and Annual Assessment of Directors (cont'd)

The Nominating & Remuneration Committee reviews and evaluates the performance of individual Director including Independent Directors, Board as a whole and Board Committees on an annual basis with the aim of providing individual contribution effectiveness of the Board and its Committees, identify gaps, maximise strengths and address weaknesses of the Board.

The assessment criteria used in the assessment of Board, Board Committees and individual Director include mix of skills and experience and size of the Board, quality of inputs, understanding of their roles, duties and responsibilities and etc.

The assessment of the independence of Independent Directors is in accordance with the criteria as set out in the Bursa Malaysia Main Market Listing Requirements.

During the financial year under review, the Board met four times. The details of the attendance of the Board members are as follows:

	Directors	No. of meetings attended
1.	Ms. Chew Gek Khim	4/4
2.	Mr. Chia Chee Ming, Timothy	3/4
3.	Dato' Robert Teo Keng Tuan	3/4
4.	Mr. John Mathew A/L Mathai	4/4
5.	Datuk Kamaruddin Bin Taib[a]	0/0
6.	Dato' Dr. Ir. Yong Mian Thong[b]	2/2
7.	Dato' Ng Jui Sia[c]	2/2
8.	Mr. Yap Chee Keong[d]	1/2

[a] Datuk Kamaruddin Bin Taib is appointed as a Director of the Company on 16 November 2018.
[b] Dato' Dr. Ir. Yong Mian Thong is appointed as a Director of the Company on 1 June 2018.
[c] Dato' Ng Jui Sia retired as a Director of the Company on 30 May 2018.
[d] Mr. Yap Chee Keong resigned as a Director of the Company on 30 May 2018.

2.6 Board Committees

The Board Committees are as follows:

(i) Audit & Risk Management Committee
(ii) Nominating & Remuneration Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

2.6 Board Committees (cont'd)

The following are the records of attendance for the Board Committees' Meetings held in the financial year 2018:

(i) Audit & Risk Management Committee

	Directors	No. of meetings attended
1.	Dato' Robert Teo Keng Tuan	4/4
2.	Mr. Chia Chee Ming, Timothy*	2/2
3.	Ms. Chew Gek Khim*	2/2
4.	Dato' Ng Jui Sia*	2/2
5.	Mr. Yap Chee Keong*	1/2

* Mr. Chia Chee Ming, Timothy and Ms. Chew Gek Khim are appointed as members of the Audit Committee in place of both Dato' Ng Jui Sia and Mr. Yap Chee Keong who ceased to be members of the Audit Committee following their retirement and resignation from the Board respectively on 30 May 2018.

(ii) Nominating & Remuneration Committee

	Directors	No. of meetings attended
1.	Mr. Chia Chee Ming, Timothy	3/3
2.	Ms. Chew Gek Khim	3/3
3.	Mr. John Mathew A/L Mathai	3/3

The Board is satisfied with the time commitment given by the Directors. All directors do not hold more than 5 directorships as required under paragraph 15.06 of the Bursa Malaysia's Main Market Listing Requirements.

All existing directors have attended the Mandatory Accreditation Programme as required by the Bursa Malaysia's Main Market Listing Requirements.

During the course of the financial year, they have also attended other training programmes which include conferences, forum, seminars, workshops and briefings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

2.6 Board Committees (cont'd)

Details of the training programmes attended/participated on areas that include the following:

Directors	Training/Conferences/Forum/ Seminars/Workshops Attended	Date
Ms. Chew Gek Khim, JPG	1. ASEAN-Australia Special Summit 2018 - CEO Forum	16 - 18 March 2018
	2. Breakfast roundtable dialogue with Koh Boon Hwee	5 April 2018
	3. World Class New Zealand Business Roundtable Luncheon	10 April 2018
	4. 5th Singapore Sustainability Symposium	2 May 2018
	5. 31ST IISS Fullerton Lecture delivered by Dr Vivian Balakrishnan, Minister for Foreign Affairs, Singapore	14 May 2018
	6. PA Kopi Talk with Community Leaders hosted by Minister Chan Chun Sing	17 May 2018
	7. Fourth Compass Family Round Table	23 - 25 May 2018
	8. Australia-Singapore Infrastructure Investment Forum	12 July 2018
	9. Executive Luncheon on "The Future of Cities" with Speaker Wong Heang-Fine, CEO Surbana Jurong	18 July 2018
	10. SID Board Chairmen's Conversation on China's Digital Economy	13 August 2018
	11. NTU Convocation in China 2018	7 - 8 September 2018
	12. Breakfast Invitation on Chairman to Chairman Conversation	19 September 2018
	13. 4th SRP Distinguished Lecture and Inter-Religious Symposium	22 September 2018
	14. High Impact Governance Seminar on Corporate Compliance: Focussing on Directors' Duties, Liabilities and Expectations	30 October 2018
	15. Malaysia Budget 2019 talk by Lim Guan Eng	5 November 2018
	16. STC Directors' Training – Amendments to the Corporate Governance Code	14 November 2018
	17. Talk by Dr Apoteker on 'managing portfolio in fundamental regime shift: global view and key implications for risk /opportunity arbitrages'	20 November 2018
Mr. Chia Chee Ming, Timothy	1. Launch of Women on Board Book and The ASEAN Corporate Governance Scorecard	3 April 2018
	2. Board Agendas Series - AGM: from the shareholders' perspective	5 April 2018
	3. Singapore Institute of Directors Conference 2018	7 September 2018
	4. The Straits Trading Company Ltd Lunchtime Lecture Series: Medical Robotic	27 September 2018
	5. High Impact Governance Seminar on Corporate Compliance: Focussing on Directors' Duties, Liabilities and Expectations.	30 October 2018
	6. STC Directors' Training - Amendments to the Corporate Governance Code	14 November 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

2.6 Board Committees (cont'd)

Details of the training programmes attended/participated on areas that include the following:

Directors	Training/Conferences/Forum/ Seminars/Workshops Attended	Date
Dato' Robert Teo Keng Tuan	1. New GST Structure	6 April 2018
	2. RSM Breakfast Talk Series – GST Transitional Issues & GST Audit	21 June 2018
	3. National Tax Conference 2018	16 & 17 July 2018
	4. Limited Liability Partnership (LLP) with Tax Issues and Companies Act 2016 Updates	15 August 2018
	5. AOB Conversation with Auditors of Public Interest Entities and Schedule Funds	16 August 2018
	6. Framework for Audit Committee	28 August 2018
	7. Accounting for Deferred Taxation – A Comprehensive and Practical Approach	18 & 19 October 2018
	8. High Impact Governance Seminar on Corporate Compliance: Focussing on Directors' Duties, Liabilities and Expectations	30 October 2018
	9. Practical Issues, Problems and Pitfalls in Registering a Perkongsian Liabiliti Terhad (Limited Liability Partnership)	31 October 2018
	10. 2019 Budget Seminar	12 December 2018
	11. ICDM Power Talk: Would a Business Judgement Rule helps Directors Sleep Better at Night?	17 December 2018
Mr. John Mathew A/L Mathai	1. Secondment – Who's your Master?	2 March 2018
	2. Overview of Arbitration in Malaysia	18 April 2018
	3. New Corporate Liability pursuant to the Malaysian Anti-Corruption Commission (Amendment) Act 2018	14 June 2018
	4. High Impact Governance Seminar on Corporate Compliance: Focussing on Directors' Duties, Liabilities and Expectations	30 October 2018
	5. "Forensics and Asset Tracing" at the Malaysian Insolvency Conference 2018.	22 November 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

2.6 Board Committees (cont'd)

Details of the training programmes attended/participated on areas that include the following:

Directors	Training/Conferences/Forum/ Seminars/Workshops Attended	Date
Datuk Kamaruddin Bin Taib	1. HSBC Asian Outlook & Belt Road Initiative Forum	2 January 2018
	2. FIDE Forum - 1st Board Leadership Series Navigating the VUCA World	1 March 2018
	3. Bank Negara Malaysia Workshop on Development of Environmental and Social Impact Assessment	6 April 2018
	4. FIDE Elective Programme: Understanding Liquidity Risk Management in Banking	16 April 2018
	5. FIDE Elective Programme: Understanding Fintech and Its Implications for Banks	3 July 2018
	6. Islamic Finance Directors Programme	11 & 12 July 2018
	7. Blockchain in Financial Services Industry	17 July 2018
	8. Anti-Money Laundering/Counter Financing of Terrorism - Banking Sector	13 August 2018
	9. Updates on Anti Money Laundering/Countering Financing of Terrorism Risk Culture Assessment & Directors & Officers Liability for Financial Institutions	15 August 2018
	10. IBM Think Malaysia – The Human Machine Interchange, Cyber Crime & Defence Technology	16 August 2018
	11. Credit Risk Management - Banking Sector	3 & 4 September 2018
	12. Identifying your next Board Talent	8 November 2018
	13. ICDM Power Talk: Would a business judgement rule helps Directors sleep better at night?	17 December 2018
Dato' Dr. Ir. Yong Mian Thong	1. ITRI Tin Conference 2018	23 – 25 April 2018
	2. High Impact Governance Seminar on Corporate Compliance: Focussing on Directors' Duties, Liabilities and Expectations	30 October 2018

3. REMUNERATION

3.1 Remuneration Policy

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 line with the Directors' Remuneration Policy, the Board in deciding, the appropriate level of fees of each Non-Executive Director, also 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

3.1 Remuneration Policy (cont'd)

In deciding the remuneration for key senior management, the Board takes into consideration the skills, qualification, roles and working experience of the key senior management besides the business performance of the Company.

3.2 Details of Directors' Remuneration

Pursuant to the Bursa Malaysia's Main Market Listing Requirements, the details of the remuneration received by the Directors of the Company, on a named basis, for the financial year ended 31 December 2018 are disclosed as follows:

Name of Directors	Fees (RM)	Salaries (RM)	Allowance (RM)	Benefits in kind (RM)	Other emoluments (RM)	Total (RM)
Non-Executive Directors						
Ms. Chew Gek Khim	94,652	-	22,000	-	-	116,652
Mr. Chia Chee Ming, Timothy	83,152		15,000			98,152
Dato' Robert Teo Keng Tuan	86,000	-	18,000	-	-	104,000
Mr. John Mathew A/L Mathai	59,000	-	18,000	-	-	77,000
Datuk Kamaruddin Bin Taib[a]	6,301	-	-	-	-	6,301
Dato' Ng Jui Sia[c]	27,759	-	8,000	-	-	35,759
Mr. Yap Chee Keong[d]	27,759	-	4,000	-	-	31,759
Total	384,623	-	85,000	-	-	469,623
Executive Director						
Dato' Dr. Ir. Yong Mian Thong[b]	-	1,104,000	-	7,014	414,000	1,525,014
Total	-	1,104,000	-	7,014	414,000	1,525,014

[a] Datuk Kamaruddin Bin Taib is appointed as a Director of the Company on 16 November 2018.
[b] Dato' Dr. Ir. Yong Mian Thong is appointed as a Director of the Company on 1 June 2018.
[c] Dato' Ng Jui Sia retired as a Director of the Company on 30 May 2018.
[d] Mr. Yap Chee Keong resigned as a Director of the Company on 30 May 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

3.3 Remuneration of Top Five Key Senior Management

The Board is of the view that disclosing the top five key senior management's remuneration on a named basis according to salaries, bonuses, benefits-in-kind and other emoluments would be disadvantageous to the Company due to the confidentiality and sensitivity of each remuneration package which is structured competitively to attract, motivate and retain talents.

Accordingly, the remuneration of the top five key senior management team of the Company in bands of RM50,000 is as follows:

Range of Remuneration (RM)	No of Top Five Key Senior Management
1,500,000 – 1,550,000	1
450,000 – 500,000	1
350,000 – 400,000	2
250,000 – 300,000	1
TOTAL	5

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit & Risk Management Committee

In assisting the Board to discharge its duties on financial reporting, the Board established an Audit Committee which was subsequently renamed as the Audit & Risk Management Committee on 7 November 2018. Dato' Robert Teo Keng Tuan, an independent director is the chairman of the Audit & Risk Management Committee.

On the composition and terms of reference of the Audit & Risk Management Committee, please refer to the Audit & Risk Management Committee Report on pages 60 to 63 for further information.

2. Assessment of Suitability and Independence of External Auditors

The Board, via the Audit & Risk Management Committee, has annually assessed the suitability and independence of the External Auditors.

It is also a 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 & Risk Management Committee has assessed the suitability and independence of Messrs Ernst & Young as External Auditors of the Company for the financial year ended 31 December 2018. Having satisfied itself with their technical competency, audit independence and fulfillment of criteria as set out in its terms of reference, the Audit & Risk Management Committee has recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

3. Risk Management and Internal Controls

Recognising the importance of risk management and internal controls, the Board has in past years formalised a structured risk management and internal control 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 risk management framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

The Audit & Risk Management Committee assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group besides overseeing financial reporting.

The Company has also appointed NGL Tricor Governance Sdn Bhd as the service provider for Enterprise Risk Management Update and Internal Control Review for the Group for financial year 2018.

In line with the MCCG and the Bursa Malaysia's Main Market Listing Requirements, the Board has an independent Internal Audit function which is led by Mr. Yoon Choon Kong, the Internal Auditor who reports directly to the Audit & Risk Management Committee. Mr. Yoon Choon Kong is an associate member of the Institute of Internal Auditors Malaysia and a certified Lead Auditor, National Registration Scheme for Lead Assessors of Quality Systems. During the financial year under review, he is supported by 3 staff in the Internal Audit Division and he does not have any conflict of interests with the Company.

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 of the Group on pages 64 to 67 of this Annual Report.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication and engagement with Stakeholders

The Company recognises the importance of being transparent and accountable to its investors and, as such, has maintained an active and continuous communication between the Company and its stakeholders 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 and media release in relation thereto to Bursa Malaysia and the Singapore Exchange Securities Trading Limited ("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 price performance and corporate social responsibility reporting.

2. Conduct of General Meetings

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, the 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 in the presence of directors, where the Chairman invited shareholders to raise questions with responses from the Board.

The Company dispatches its notice of AGM to shareholders at least 28 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.

This Statement is made in accordance with the resolution of the Board of Directors dated 26 March 2019.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Bursa Malaysia's Main Market Listing Requirements.

Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2018.

Audit Fees and Non-Audit Fees

The audit fees paid/payable to the external auditors, Messrs Ernst & Young in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 31 December 2018 are as follows:

	The Group RM'000	The Company RM'000
Audit Fees	510,000	653,500
Non-Audit Fees	155,000	155,000

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors, Chief Executive and Major Shareholders' interest during the financial year ended 31 December 2018.

Recurrent Related Party Transactions of Revenue or Trading Nature

During the financial year, the Company and its subsidiaries had not entered into any recurrent related party transactions, which are of revenue or trading nature, which requires shareholders' mandate.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The Audit Committee was established on 30 August 1994 with the principle objective to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls and financial reporting practices of the Group. Subsequently, the Audit Committee was renamed as Audit & Risk Management Committee on 7 November 2018.

In performing their duties and discharging their responsibilities, the Audit & Risk Management Committee is guided by its terms of reference ("TOR"). The Audit & Risk Management Committee's TOR is available at the Company's website at www.msmelt.com.

Composition and Meetings of the Audit & Risk Management Committee

The Audit & Risk Management Committee of the Company currently comprises of three (3) Non-Executive Directors, two (2) of whom are independent, including the Chairman.

There were four (4) meetings held during the financial year under review, and the record of attendance of each member of the Committee are as follows:

Present Members	No. of meetings attended
Dato' Robert Teo Keng Tuan *Chairman, Independent Non-Executive Director*	4/4
Mr. Chia Chee Ming, Timothy [(a)] *Member, Independent Non-Executive Director*	2/2
Ms. Chew Gek Khim [(b)] *Member, Non-Independent Non-Executive Director*	2/2

Past Members	No. of meetings attended
Dato' Ng Jui Sia [(c)] *Member, Independent Non-Executive Director*	2/2
Mr. Yap Chee Keong [(d)] *Member, Non-Independent Non-Executive Director*	1/2

(a) Mr. Chia Chee Ming, Timothy is appointed as a member of the Committee on 30 May 2018.
(b) Ms. Chew Gek Khim is appointed as a member of the Committee on 30 May 2018.
(c) Dato' Ng Jui Sia ceased as a member of the Committee on 30 May 2018.
(d) Mr. Yap Chee Keong ceased as a member of the Committee on 30 May 2018.

The meetings were appropriately structured through the use of agenda and meeting papers, which contained sufficient information, were distributed to members with proper notification in writing.

The Company Secretary, as the secretary of the Committee, was present at all meetings. Representatives of the External Auditors, Messrs Ernst & Young, the Internal Auditor, as well as the Group CEO, Group Chief Financial Officer ("GCFO") and other Key Senior Management staff also attended the meetings, where appropriate, at the invitation of the Committee.

At each Board meeting, the chairman of the Committee briefs the Board pertaining to matters discussed at the meeting of Committee and the minutes of Committee meeting is circulated to the Board for their notation.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

Training and Continuous Engagement

Members of the Committee have attended relevant training seminars 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 53 to 55 of this Annual Report.

During the financial year, the chairman of the Committee continuously engaged with the key senior management 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:

    1. Scope of work and audit plan for the financial year prior to the commencement of audit fieldwork; and

    2. 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 2016. Significant issues resulting from the audit of the financial statements by the External Auditors were deliberated.

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

- 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 RM155,000 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 related services;

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

Summary of Activities during the Financial Year under Review (cont'd)

- 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 and SGX. The review and discussions were conducted with the Group CEO, GCFO and other Key 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 program, 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 NGL Tricor Governance Sdn. Bhd. (External Consultant) 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 with support from NGL Tricor Governance Sdn. Bhd. (External Consultant). The Internal Audit function provides independent assurance on the adequacy and integrity of the risk management, internal control and governance processes.

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

A summary of the work 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 risk-based basis to review the adequacy of internal controls in the auditable areas and to assess consistency in the compliance with established policies and procedures. Verification (on sampling basis) of the existence, adequacy and effectiveness of risk controls established by Management within the selected processes and/or sub processes covering strategic, operational and financial aspects of the Group's operations;

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

Internal Audit Function (cont'd)

- 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 and management act ion plans to mitigate identified risks, with copies extended to Management, highlighting deficiencies together with corresponding improvement opportunities. The Internal Auditor attended all Audit & Risk Management Committee meetings and presented reports on areas of audit concern for the Committee's deliberation; and

- Monitored remedial action taken by Management in response to recommendations made to address 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 2018 was RM923,000.

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 64 to 67 of this Annual Report.

This Report is made in accordance with the resolution of the Board of Directors dated 26 March 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Paragraph 15.26(b) of the Bursa Malaysia'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 risk management and internal control of the listed issuer as a group". The Board of the Company is committed to maintaining an effective system of risk management and internal control in MSC and its subsidiaries (collectively referred to as the "Group") and is pleased to provide the following Statement on Risk Management and Internal Control (this "Statement"), which outlines the nature and scope of the risk management and internal control system of the Group during the financial year ended 31 December 2018.

For the purpose of disclosure, the Board has taken into consideration the enumerations encapsulated in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" (the "Guidelines"), a publication endorsed by Bursa Malaysia pursuant to Paragraph 15.26(b) of the Bursa Malaysia's Main Market Listing Requirements.

Board's Responsibility

The Board acknowledges its responsibility for maintaining as well as reviewing the adequacy and integrity of the risk management and internal control system to safeguard its shareholders' investment and other stakeholders' interests. The system of internal control covers not only financial controls but also non-financial controls such as operational and compliance controls and risk management procedures.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage risks within tolerable and knowledgeable limits, 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.

In evaluating the adequacy of the Group's system of risk management and internal control, the Board is assisted by the Audit & Risk Management Committee which comprises a majority of Independent Directors. Notwithstanding the delegated responsibilities, the Board acknowledges its overall responsibility in the establishment and oversight of the Group's risk management and internal control system.

The Board affirms that there is an on-going process for identifying, assessing, managing, monitoring and reporting significant risks faced by the Group. The Board, through its Audit & Risk Management Committee, regularly reviews the results of this process, including mitigation 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.

Risk Management

The Board is guided by Practices 9.1 and 9.2 of the MCCG which calls for the establishment of an effective risk management and internal control framework and the disclosure thereof. Management is responsible for identifying, assessing, 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 and procedures set by the Board. Further assurance is provided by the Internal Auditors, which operates across the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Risk Management (cont'd)

The Board believes that maintaining an effective risk management and internal control system is premised on 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, i.e. the Board, Audit & Risk Management Committee and Management, as follows:

  - Board and Audit & Risk Management Committee – ensure that there is a sound framework for internal controls and risk management;
  - Business/division heads – to review the risk profiles and performance of business units and reports to the Group CEO.

- 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 four (4) business/division heads. The results of these assessments and management action plans to manage critical risks were reported by the heads to the Group CEO for his further review. The Audit & Risk Management Committee, with assistance from the Internal Auditors and external consultants, then reviewed the Group Risk Profile which was compiled from the review of the individual risk profiles and risk registers. For each principal risk, the assessment process considers the potential likelihood of occurrence and magnitude, 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 have taken and/or are taking are discussed at Audit & Risk Management Committee meetings;

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

- Risk Management Policy and Guidelines Document was reviewed and updated to ensure its relevance 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 ongoing basis. The action plans include the utilization of internal audit procedures, as discussed in further detail below.

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

Internal Audit Function

The Group has in place an independent in-house Internal Audit team. During the financial year, the Board has appointed an independent professional services firm, NGL Tricor Governance Sdn. Bhd., to support the in-house Internal Audit team (collectively referred to as the "Internal Auditors"). The Internal Auditors reports directly and provides assurance to Audit & Risk Management Committee on the adequacy and effectiveness of risk management, internal control and governance systems. In carrying out its activities, the Internal Auditors has unrestricted access to the relevant records, personnel and physical properties.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Internal Audit Function (cont'd)

The Internal Auditors independently reviews the risk identification, assessment and control processes implemented by Management, and reports to Audit & Risk Management Committee on a quarterly basis the outcome thereof. The Internal Auditors also reviews the internal control system within the Group based on a risk-based annual internal audit plan approved by the Audit & Risk Management Committee. Its audit strategy and plan are based on the risk profiles of major business units of the Group. The Audit & Risk Management Committee evaluates the Internal Auditors to assess its effectiveness in discharging its responsibilities.

Further details of the work undertaken by the Internal Auditors are set out in the Audit & Risk Management Committee Report on pages 60 to 63 of this Annual Report as well as the Corporate Governance Overview Statement of MSC which is made available via an announcement on the website of Bursa Malaysia.

Internal Control

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

(a) Code of Ethics and Whistleblowing Policy and Procedures

- The Board is responsible for setting the ethical tone of the Group and engendering a healthy corporate culture. A Code of Ethics has been put in place 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 Board has formalised a set of Whistleblowing Policy and Procedures to provide avenues for stakeholders of the Group to raise legitimate concerns relating to potential breaches of legislation malpractices in an objective manner without fear of reprisal.

(b) 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 for both the Company and its subsidiaries. In designing and implementing these limits of authority structures and systems, the Group is guided by the principle that no one individual should have unfettered powers.

(c) Written Policies and Procedures

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Internal Control (cont'd)

(d) Planning, Monitoring and Reporting

- The Group CEO reports to the Board on significant changes in the business and the external environment;
- The GCFO provides the Board with quarterly financial reports, 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 meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues; and
- The Audit & Risk Management Committee reviews the Group's quarterly financial performance, together with Management, which is subsequently reported to the Board.

(e) Insurance

- Insurance and physical safeguards over major assets are in place to ensure that the assets of the Group are covered against any mishaps that may result in material losses to the Group. The insurance coverage is reviewed at regular intervals to ensure its adequacy vis-à-vis the Group's risk appetite.

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 Auditors, which evaluates 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 Group CEO and the GCFO that the Group's risk management and internal control system has been operating adequately and effectively, in all material respects, during the financial year under review and up to the date of this Statement. Based on this assurance, the input from external and internal auditors, as well as the Board's 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 Key Senior Management remain committed to strengthening the Group's control environment and processes. Ongoing measures 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 Malaysia'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 2018 and reported to the Board that nothing has come to their attention which caused them to believe that the Statement intended to be included in the Annual Report of the Company was not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate. The review of this Statement by external auditors was performed in accordance with the scope set out in Audit and Assurance Practice Guides 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants.

This Statement is made in accordance with the resolution of the Board of Directors dated 26 March 2019.

STATEMENT OF RESPONSIBILITY BY DIRECTORS

IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records which give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year ended 31 December 2018.

In preparing the annual audited financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Made an assessment of the Group's and of the Company's ability to continue as a going concern

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and of the Company, to prevent and detect fraud and other irregularities.

This Statement is made in accordance with the resolution of the Board of Directors dated 26 March 2019.

FINANCIAL STATEMENTS

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 2018.

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 are tin mining, tin warehousing, property holding and rental, investment holding and smelting of non-ferrous metals. Other information relating to the subsidiaries are disclosed in Note 20 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit net of tax	**34,294**	**101,019**
Profit attributable to:		
Owners of the Company	34,297	101,019
Non-controlling interests	(3)	-
	34,294	**101,019**

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.

Dividends

The amount of dividend paid by the Company since 31 December 2017 was as follows:

	RM'000
First and final single-tier dividend of RM0.04 per share on 100,000,000 ordinary shares, declared on 30 May 2018 and paid on 9 July 2018	**4,000**

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a first and final single-tier dividend of RM0.02 per share amounting to RM8,000,000 for the financial year ended 31 December 2018.

The financial statements for the financial year ended 31 December 2018 do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

DIRECTORS' REPORT (CONT'D)

Share capital

During the financial year, the number of ordinary shares of the Company were increased from 100,000,000 to 400,000,000 by way of:

i. 100,000,000 ordinary shares were subdivided into 200,000,000 subdivided ordinary shares ("Split Shares"); and
ii. 200,000,000 new Split Shares ("Bonus Shares") were issued as bonus shares.

Bonus issue of 200,000,000 new ordinary shares, credited as fully paid-up share capital on the basis of 1 bonus share for every 1 split share through capitalisation of the share premium (transferred to the share capital account) and retained earnings of the Company of RM74,666,000 and RM25,334,000 respectively.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Directors

The name of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Ms. Chew Gek Khim*	(Chairman)
Mr. Chia Chee Ming, Timothy*	
Dato' Robert Teo Keng Tuan*	
Mr. John Mathew A/L Mathai	
Dato' Dr. Ir. Yong Mian Thong	(Appointed on 1 June 2018)
Datuk Kamaruddin Bin Taib	(Appointed on 16 November 2018)
Dato' Ng Jui Sia	(Retired on 30 May 2018)
Mr. Yap Chee Keong	(Resigned on 30 May 2018)

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

In accordance with Article 101 of the Constitution of the Company, Mr. Chia Chee Ming, Timothy retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

In accordance with Article 106 of the Constitution of the Company, Dato' Dr. Ir. Yong Mian Thong and Datuk Kamaruddin Bin Taib retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

The name of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report are:

Ms. Chew Gek Khim	
Mr. John Mathew A/L Mathai	
Dato' Dr. Ir. Yong Mian Thong	
Mr. Lee Hock Chye	
Ir. Raveentiran A/L Krishnan	
En. Madzlan Bin Zam	
Dato' Abdul Aziz Bin Mohamed	
(Alternate: Dato' Hj Mohd Abdah Bin Mohd Alif)	
Mr. Aldric Tan Jee Wei	
En. Mohd Najib Bin Jaafar	
Mr. Chia Chee Ming, Timothy	(Resigned on 13 March 2019)
Dato' Robert Teo Keng Tuan	(Resigned on 13 March 2019)
En. Zihanz Alymann Bin Kamarul Zaman	(Appointed on 13 March 2019)
Mr. Yap Chee Keong	(Retired on on 30 May 2018)
Dato' Ng Jui Sia	(Resigned on 19 June 2018)

DIRECTORS' REPORT (CONT'D)

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 below) 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.

The directors' benefits are as follows:

	Group/Company RM'000
Fees	470
Insurance effected to indemnify directors	92
	562

Indemnities of directors or officers

During the financial year, the directors and officers of the Group and of the Company are covered under the Directors & Officers Management Liability Insurance ("D&O Insurance") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, the directors and officers of the Group and of the Company subject to the terms of the D&O Insurance. The total insured limit of D&O Insurance effected for the directors and officers of the Group and of the Company was RM40 million in any one claim and in the aggregate for all claims (including deference costs). Expenses incurred on indemnity given or insurance effected for any director and officer of the Group and of the Company during the financial year amounted to RM92,000.

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

	Number of ordinary shares			
	1 January 2018	Bought	Sold	31 December 2018
Ultimate holding company				
Tan Chin Tuan Pte. Ltd.				
Direct interest				
Ms. Chew Gek Khim	92,478,922	-	-	92,478,922
Immediate holding company				
The Straits Trading Company Limited				
Direct interest				
Ms. Chew Gek Khim	41,200	-	-	41,200
Mr. Chia Chee Ming, Timothy	3,900	-	-	3,900

DIRECTORS' REPORT (CONT'D)

Directors' interests (Cont'd)

	Number of ordinary shares						
	Before Corporate Exercise				After Corporate Exercise		
	1 January 2018	Bought	*Share Split	*Bonus Shares	Bought	Sold	31 December 2018
The Company							
Direct interest							
Ms. Chew Gek Khim	400,000	-	400,000	800,000	-	-	1,600,000
Dato' Dr. Ir. Yong Mian Thong	^47,500	-	47,500	95,000	68,800	-	258,800
Deemed interest							
Dato' Robert Teo Keng Tuan	8,000	80,000	88,000	176,000	-	-	352,000

^ As at the date of appointment on 1 June 2018.
* The share split and bonus issue exercises ("Corporate Exercise") were completed on 15 August 2018.

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

Holding companies

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 Singapore Exchange Securities Trading Limited. The penultimate holding and ultimate holding companies of the Company are The Cairns Pte. Ltd. and Tan Chin Tuan Pte. Ltd. respectively, both of which are private limited liability companies incorporated in Singapore.

Other statutory information

(a) Before the statements of profit or loss 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 there were no known bad debts and that no provision for doubtful debts was necessary 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) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

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

DIRECTORS' REPORT (CONT'D)

Other statutory information (Cont'd)

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

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

(e) 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.

Significant event

The proposed share split and bonus issue announced by the Company on 23 April 2018 was approved by the shareholders at the Extraordinary General Meeting held on 30 May 2018. Subsequently, the number of ordinary shares of the Company on 15 August 2018 was increased from 100,000,000 to 400,000,000 by way of a share split of 100,000,000 new ordinary shares and a bonus issue of 200,000,000 new ordinary shares. Bonus issue of 200,000,000 new ordinary shares, credited as fully paid-up share capital on the basis of 1 bonus share for every 1 split share through capitalisation of the share premium (transferred to the share capital account) and retained earnings of the Company of RM74,666,000 and RM25,334,000 respectively.

DIRECTORS' REPORT (CONT'D)

Auditors

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young	654	510
Other auditors	9	-
	663	510

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the board in accordance with a resolution of the directors dated 26 March 2019.

Chew Gek Khim **Dato' Dr. Ir. Yong Mian Thong**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Chew Gek Khim and Dato' Dr. Ir. Yong Mian Thong, 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 82 to 183 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the board in accordance with a resolution of the directors dated 26 March 2019.

Chew Gek Khim

Dato' Dr. Ir. Yong Mian Thong

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Lam Hoi Khong, 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 82 to 183 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 Lam Hoi Khong
at
on 26 March 2019

Lam Hoi Khong
(CA 18848)

Before me,

Lai Din (W668)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Malaysia Smelting Corporation Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their 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 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

Report on the audit of the financial statements (Cont'd)

Inventories

The Company contracts with various suppliers on different terms and conditions for the purchases of tin-in-concentrates. Given the high number of different purchase contracts, we identified timing of recognition of tin-in-concentrates to be an area of focus as it is highly dependent on the terms of the contracts.

In addition, we also identified valuation of tin-in-concentrates, tin-in-process and refined tin metal as an area of focus due to the magnitude of the balances. At the same time, management is required to apply valuation techniques that involve judgements and estimates given the nature of tin-in-process and refined tin metal.

In addressing the area of focus in respect of the timing of recognition of tin-in-concentrates, we performed, amongst others, the following procedures:

(a) We read the significant purchase contracts to obtain an understanding of the terms and conditions to establish the Company's rights and obligations over tin-in-concentrates purchased.

(b) We tested the relevant internal controls over the accuracy and timing of recognition of tin-in-concentrates.

(c) We inspected, on a sample basis, documents which evidenced the receipt of tin-in-concentrates from suppliers.

(d) We also focused on testing purchase transactions close to the year end to establish whether the transactions were recorded in the correct accounting period.

In addressing the area of focus in respect of valuation of tin-in-concentrates, tin-in-process and refined tin metal, we performed, amongst others, the following procedures:

(a) We obtained an understanding of the Company's production process and the types of costs included in the valuation of tin-in-concentrates, tin-in-process and refined tin metal.

(b) We also obtained an understanding of the internal controls over the recording of tin-in-concentrates consumed and the valuation of different stages of tin-in-process.

(c) We attended the physical inventory counts and observed whether the counts were conducted according to inventory count procedures.

(d) We tested the arithmetic calculation of the valuation of inventories.

Provision for mine restoration costs

As disclosed in Note 32 to the financial statements, the Group recorded a provision for mine restoration costs of RM26.5 million in respect of restoration obligations of its subsidiary as at 31 December 2018. The Group is required to submit its mine restoration plan for approval by the Perak State Mineral Resources Committee, under the Mineral (Perak) Enactment 2003. The Group engaged an external consultant specialising in mine restoration to perform an assessment of the required restoration and to conclude on the best methodology to be adopted by the Group. The Group recognises a provision for these costs at each reporting date based on the estimated costs required to fulfil this obligation according to the methodology and plan formulated by the external consultant.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

Report on the audit of the financial statements (Cont'd)

Provision for mine restoration costs (Cont'd)

The timing of the cash outflow can only be confirmed by uncertain future events not wholly within the control of the Group and may develop in ways not initially expected. Therefore, the Group continually assesses the timing and development of the discussion with the relevant authorities. Such assessment involves significant judgment and estimates which are highly subjective. Accordingly, we consider this to be an area of audit focus.

As at the reporting date, the provision for mine restoration costs based on the methodology and plan formulated by the external consultant still represents the current best estimate made by the Board of Directors.

In addressing this area of focus, we evaluated the objectivity, independence, expertise and experience of the external mine restoration consultant engaged by the Group. We obtained an understanding of the methodology adopted by the consultant in formulating the restoration plan and assessed whether such methodology is consistent with those used in the industry. We also evaluated the significant cost components through enquiries with the external consultant and, where relevant, we compared the cost components to past actual experience or quotations obtained from third party contractors and suppliers. In addition, we assessed whether the discount rate used to determine the net present value of the restoration and rehabilitation obligations reflects current market assessments of the time value of money and the risks specific to the liability. We also focused on the adequacy of the Group's disclosure about the significant judgements and estimates involved in determining the provision for mine restoration costs.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. We have obtained the Directors' Report prior to the date of this auditors' report. The remaining other information expected to be included in the annual report are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information expected to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

Report on the audit of the financial statements (Cont'd)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company 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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

Report on the audit of the financial statements (Cont'd)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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

Teoh Soo Hock
No. 02477/10/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
26 March 2019

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	**1,280,906**	1,436,177	**1,280,905**	1,436,172
Other items of income					
Dividend income	5	**-**	-	**65,349**	54,459
Interest income	6	**1,023**	1,659	**2,510**	2,415
Other income	7	**14,421**	8,221	**11,012**	7,418
Expenses					
Costs of tin mining and smelting	8	**(1,132,466)**	(1,318,726)	**(1,201,330)**	(1,396,040)
Depreciation expense	8	**(15,426)**	(13,042)	**(5,310)**	(4,270)
Amortisation expenses	8	**(2,001)**	(1,957)	**(3)**	(3)
Employee benefits expense	9	**(56,189)**	(56,880)	**(34,307)**	(37,248)
Reversal of impairment losses/ (Impairment losses)	10	**2,721**	129	**13,813**	(14,539)
Finance costs	11	**(18,158)**	(14,718)	**(18,250)**	(13,697)
Other expenses	12	**(25,356)**	(11,519)	**(10,927)**	(5,267)
Total expenses		**(1,246,875)**	(1,416,713)	**(1,256,314)**	(1,471,064)
Share of results of associates and joint ventures		**304**	(1,109)	**-**	-
Profit before tax	8	**49,779**	28,235	**103,462**	29,400
Income tax (expense)/credit	13	**(15,485)**	(12,131)	**(2,443)**	910
Profit net of tax		**34,294**	16,104	**101,019**	30,310
Attributable to:					
Owners of the Company		**34,297**	16,105	**101,019**	30,310
Non-controlling interests		**(3)**	(1)	**-**	-
		34,294	16,104	**101,019**	30,310

		Group 2018	Group 2017
Earnings per share attributable to owners of the Company (sen per share):			
- Basic and diluted	14	**8.6**	4.0

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 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit net of tax	**34,294**	16,104	**101,019**	30,310
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Revaluation reserves on property, plant and equipment, net	**32,902**	5,305	**(1,865)**	308
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	**(5,599)**	(1,685)	**(5,599)**	(1,685)
Share of an associate's revaluation reserves on property, plant and equipment	**(102)**	155	**-**	-
	27,201	3,775	**(7,464)**	(1,377)
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	**(1)**	1	**-**	-
Net fair value changes on cash flow hedges	**-**	1,720	**-**	1,720
Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate	**(825)**	-	**-**	-
Share of foreign currency translation of an associate and a joint venture	**568**	(1,934)	**-**	-
	(258)	(213)	**-**	1,720
Other comprehensive income for the year, net of tax	**26,943**	3,562	**(7,464)**	343
Total comprehensive income for the year	**61,237**	19,666	**93,555**	30,653
Total comprehensive income attributable to:				
Owners of the Company	**61,240**	19,667	**93,555**	30,653
Non-controlling interests	**(3)**	(1)	**-**	-
Total comprehensive income for the year	**61,237**	19,666	**93,555**	30,653

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	16	**109,619**	159,309	**56,666**	34,751
Prepaid land lease payments	17	**485**	740	**-**	-
Land held for development	18	**78,654**	-	**-**	-
Intangible assets	19	**5,014**	5,942	**201**	204
Investment in subsidiaries	20	**-**	-	**148,681**	148,681
Investments in associates and joint ventures	21	**35,144**	34,568	**18,666**	18,666
Investment securities	22	**14,505**	21,205	**14,505**	21,205
Other non-current assets	23	**14,041**	14,445	**-**	-
Deferred tax assets	24	**11,853**	7,227	**-**	140
		269,315	243,436	**238,719**	223,647
Current assets					
Inventories	25	**464,162**	469,677	**466,080**	469,731
Trade receivables	26	**21,325**	11,436	**21,324**	11,435
Other receivables	27	**7,734**	9,345	**27,473**	23,859
Trade prepayments	28	**18,969**	49,694	**18,969**	49,694
Other prepayments		**1,531**	2,465	**1,373**	2,342
Tax recoverable		**17,566**	19,312	**17,565**	18,509
Derivative financial instruments	29	**561**	375	**561**	375
Cash, bank balances and deposits	30	**37,033**	68,678	**18,017**	58,795
		568,881	630,982	**571,362**	634,740
Non-current assets classified as held for sale	31	**4,663**	-	**4,663**	-
		573,544	630,982	**576,025**	634,740
Total assets		**842,859**	874,418	**814,744**	858,387

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Equity and liabilities					
Current liabilities					
Provisions	32	**2,744**	12,315	**-**	9,635
Borrowings	33	**243,838**	452,781	**243,838**	403,617
Trade and other payables	34	**166,343**	86,517	**177,387**	141,519
Current tax payable		**1,662**	51	**-**	-
Derivative financial instruments	29	**-**	2,458	**-**	-
		414,587	554,122	**421,225**	554,771
Liabilities directly associated with non-current assets classified as held for sale	31	**63**	-	**63**	-
		414,650	554,122	**421,288**	554,771
Net current assets		**158,894**	76,860	**154,737**	79,969
Non-current liabilities					
Provisions	32	**26,165**	27,904	**-**	-
Deferred tax liabilities	24	**4,278**	1,343	**285**	-
Borrowings	33	**49,177**	-	**-**	-
Derivative financial instruments	29	**303**	-	**-**	-
		79,923	29,247	**285**	-
Total liabilities		**494,573**	583,369	**421,573**	554,771
Net assets		**348,286**	291,049	**393,171**	303,616
Equity attributable to owners of the Company					
Share capital	35	**200,000**	174,666	**200,000**	174,666
Share premium	35	**-**	-	**-**	-
Other reserves	36	**6,177**	43,651	**(793)**	11,962
Retained earnings		**139,807**	72,439	**191,952**	116,988
Reserves of non-current assets classified as held for sale	31	**2,012**	-	**2,012**	-
		347,996	290,756	**393,171**	303,616
Non-controlling interests		**290**	293	**-**	-
Total equity		**348,286**	291,049	**393,171**	303,616
Total equity and liabilities		**842,859**	874,418	**814,744**	858,387

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 2018

			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	FVOCI reserves RM'000	Hedging reserves RM'000	Other reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000
Group												
At 1 January 2017		279,383	279,089	100,000	76,372	31,726	3,206	5,171	(1,720)	-	64,334	294
Transfer in accordance with Section 618(2) of the Companies Act 2016	a	-	-	74,666	(74,666)	-	-	-	-	-	-	-
Reclassification		-	-	-	(1,706)	-	-	-	-	1,706	-	-
Profit for the year		16,104	16,105	-	-	-	-	-	-	-	16,105	(1)
Other comprehensive income		3,562	3,562	-	-	5,460	(1,933)	(1,685)	1,720	-	-	-
Total comprehensive income		19,666	19,667	-	-	5,460	(1,933)	(1,685)	1,720	-	16,105	(1)
Transactions with owners of the Company:												
Dividend paid	15	(8,000)	(8,000)	-	-	-	-	-	-	-	(8,000)	-
At 31 December 2017		291,049	290,756	174,666	-	37,186	1,273	3,486	-	1,706	72,439	293

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		← Attributable to owners of the Company →										
				← Non-distributable →						Distributable	Non-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	FVOCI reserves RM'000	Hedging reserves RM'000	Other reserve RM'000	Retained earnings RM'000	Reserves of non-current assets classified as held for sale RM'000	Non-controlling interests RM'000
Group													
At 1 January 2018		291,049	290,756	174,666	-	37,186	1,273	3,486	-	1,706	72,439	-	293
Profit for the year		34,294	34,297	-	-	-	-	-	-	-	34,297	-	(3)
Other comprehensive income		26,943	26,943	-	-	32,800	(258)	(5,599)	-	-	-	-	-
Total comprehensive income		61,237	61,240	-	-	32,800	(258)	(5,599)	-	-	34,297	-	(3)
Transfer of revaluation reserves		-	-	-	-	(62,405)	-	-	-	-	62,405	-	-
Reserves of non-current assets classified as held for sale	31	-	-	-	-	(2,012)	-	-	-	-	-	2,012	-
Transactions with owners of the Company:													
Issuance of ordinary shares pursuant to bonus issue	35	-	-	25,334	-	-	-	-	-	-	(25,334)	-	-
Dividend paid	15	(4,000)	(4,000)	-	-	-	-	-	-	-	(4,000)	-	-
		(4,000)	(4,000)	25,334	-	-	-	-	-	-	(29,334)	-	-
At 31 December 2018		348,286	347,996	200,000	-	5,569	1,015	(2,113)	-	1,706	139,807	2,012	290

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Total equity RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Retained earnings RM'000	Reserves of non-current assets classified as held for sale RM'000
			← Non-distributable				→	Distributable	Non-distributable
Company									
At 1 January 2017		280,963	100,000	74,666	8,168	5,171	(1,720)	94,678	-
Transfer in accordance with Section 618(2) of the Companies Act 2016	a	-	74,666	(74,666)	-	-	-	-	-
Profit for the year		30,310	-	-	-	-	-	30,310	-
Other comprehensive income		343	-	-	308	(1,685)	1,720	-	-
Total comprehensive income		30,653	-	-	308	(1,685)	1,720	30,310	-
Transactions with owners of the Company:									
Dividend paid	15	(8,000)	-	-	-	-	-	(8,000)	-
At 31 December 2017		303,616	174,666	-	8,476	3,486	-	116,988	-
At 1 January 2018		**303,616**	**174,666**	**-**	**8,476**	**3,486**	**-**	**116,988**	**-**
Profit for the year		**101,019**	**-**	**-**	**-**	**-**	**-**	**101,019**	**-**
Other comprehensive income		**(7,464)**	**-**	**-**	**(1,865)**	**(5,599)**	**-**	**-**	**-**
Total comprehensive income		**93,555**	**-**	**-**	**(1,865)**	**(5,599)**	**-**	**101,019**	**-**
Transfer of revaluation reserves		**-**	**-**	**-**	**(3,279)**	**-**	**-**	**3,279**	**-**
Reserves of non-current assets classified as held for sale	31	**-**	**-**	**-**	**(2,012)**	**-**	**-**	**-**	**2,012**
Transactions with owners of the Company:									
Issuance of ordinary shares pursuant to bonus issue	35	**-**	**25,334**	**-**	**-**	**-**	**-**	**(25,334)**	**-**
Dividend paid	15	**(4,000)**	**-**	**-**	**-**	**-**	**-**	**(4,000)**	**-**
Total transactions with owners of the Company		**(4,000)**	**25,334**	**-**	**-**	**-**	**-**	**(29,334)**	**-**
At 31 December 2018		**393,171**	**200,000**	**-**	**1,320**	**(2,113)**	**-**	**191,952**	**2,012**

Note a
The credit standing in the share premium account of RM74,666,000 was transferred to the share capital account on the commencement of the Companies Act 2016 ("New Act") on 31 January 2017. Pursuant to subsection 618(3) of the New Act, the credit amount transferred from the share premium account was fully utilised for the bonus issue of the Company as disclosed in Note 35.

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 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating activities					
Profit before tax		**49,779**	28,235	**103,462**	29,400
Adjustments for:					
Amortisation of intangible assets		**928**	918	**3**	3
Amortisation of mine properties	8	**1,046**	1,006	**-**	-
Amortisation of prepaid land lease payments	8	**27**	33	**-**	-
Depreciation	8	**15,426**	13,042	**5,310**	4,270
Dividend income received from a subsidiary	5	**-**	-	**(65,340)**	(54,450)
Dividend income received from an associate	5	**-**	-	**(9)**	(9)
Fair value changes in forward currency contracts	7, 12	**(2,341)**	823	**(186)**	(788)
(Gain)/Loss on disposal of property, plant and equipment	7,12	**(160)**	(157)	**(160)**	126
Gain on disposal of a joint venture	7	**(2,026)**	-	**(2,026)**	-
(Reversal of impairment)/Impairment of receivables	10	**(2,906)**	-	**(13,813)**	14,539
Impairment/(Reversal of impairment) of investments in associates and joint ventures	10	**185**	(129)	**-**	-
Interest expense		**17,147**	13,674	**18,234**	13,675
Interest income	6	**(1,023)**	(1,659)	**(2,510)**	(2,415)
Loss on disposal of intangible assets	12	**-**	14	**-**	-
Property, plant and equipment written off	12	**56**	1	**21**	-
Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate		**(825)**	-	**-**	-
Revaluation deficit/(Reversal of revaluation deficit) on property	7, 12	**1,805**	(51)	**454**	-
Share of results of associates and joint ventures		**(304)**	1,109	**-**	-
Unrealised loss/(gain) on exchange	7,12	**217**	(1,564)	**204**	(446)
Unwinding of discount on provision	11	**995**	1,022	**-**	-
Operating cash flows before changes in working capital		**78,026**	56,317	**43,644**	3,905

OVERVIEW BUSINESS OVERVIEW CORPORATE GOVERNANCE AND FINANCIAL STATEMENT OTHERS

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating activities (Cont'd)					
Decrease/(Increase) in inventories		**5,515**	(95,428)	**3,651**	(92,876)
(Increase)/Decrease in receivables		**(9,768)**	26,739	**(12,249)**	27,205
Increase in amount due from subsidiaries		**-**	-	**(22,139)**	(8,968)
Decrease/(Increase) in amount due from associates and joint ventures		**4,218**	(3,501)	**4,218**	(3,501)
Decrease/(Increase) in trade prepayments		**30,725**	(13,427)	**30,725**	(13,427)
(Increase)/Decrease in other prepayments		**(66)**	1,857	**(27)**	1,976
Decrease in payables		**(4,237)**	(39,146)	**(26,467)**	(54,460)
Increase/(Decrease) in amount due to holding company		**14**	(539)	**874**	64
Decrease in amount due to subsidiaries		**-**	-	**(25,634)**	(11,872)
Cash generated from/(used in) operations		**104,427**	(67,128)	**(3,404)**	(151,954)
Income tax paid		**(15,120)**	(29,101)	**-**	(6,822)
Interest paid		**(15,261)**	(14,438)	**(13,304)**	(12,437)
Net cash generated from/(used in) operating activities		**74,046**	(110,667)	**(16,708)**	(171,213)
Investing activities					
Interest received		**1,052**	1,503	**963**	1,331
Net dividend received from an associate	5	**9**	9	**9**	9
Net dividend received from a subsidiary	5	**-**	-	**65,340**	54,450
Payment for intangible assets	19	**-**	(65)	**-**	-
Payment for deferred mine exploration and evaluation expenditures and mine properties	23	**(642)**	(426)	**-**	-
Proceeds from disposal of intangible assets		**-**	135	**-**	-
Proceeds from disposal of investment in a joint venture		**2,026**	-	**2,026**	-
Proceeds from disposal of property, plant and equipment		**160**	1,084	**160**	184
Purchase of property, plant and equipment		**(17,990)**	(9,900)	**(2,262)**	(3,451)
Withdrawal of deposits of more than three months maturity with licensed banks		**3,735**	-	**3,735**	-
Net cash (used in)/generated from investing activities		**(11,650)**	(7,660)	**69,971**	52,523

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Financing activities					
Dividend paid	15	**(4,000)**	(8,000)	**(4,000)**	(8,000)
(Repayment)/Drawdown of short term trade borrowings		**(159,760)**	114,430	**(159,760)**	114,430
Loans from immediate holding company		**73,461**	-	**73,461**	-
Net cash (used in)/generated from financing activities		**(90,299)**	106,430	**(90,299)**	106,430
Net decrease in cash and cash equivalents		**(27,903)**	(11,897)	**(37,036)**	(12,260)
Effect of changes in foreign exchange rates		**(7)**	(33)	**(7)**	(33)
Cash and cash equivalents as at 1 January		**64,943**	76,873	**55,060**	67,353
Cash and cash equivalents as at 31 December	30	**37,033**	64,943	**18,017**	55,060

Reconciliation of liabilities arising from financing activities:

Group

2018	Carrying amount as at 1 January 2018 RM'000	Cash flows RM'000	Non-cash changes Foreign exchange movement RM'000	Carrying amount as at 31 December 2018 RM'000
Loans from immediate holding company	**-**	**73,461**	**-**	**73,461**
Short term trade borrowings	**403,617**	**(159,760)**	**(19)**	**243,838**
Term loan	**49,164**	**-**	**13**	**49,177**
Total liabilities from financing activities	**452,781**	**(86,299)**	**(6)**	**366,476**

2017	Carrying amount as at 1 January 2017 RM'000	Cash flows RM'000	Non-cash changes Foreign exchange movement RM'000	Carrying amount as at 31 December 2017 RM'000
Short term trade borrowings	289,187	114,430	-	403,617
Term loan	50,282	-	(1,118)	49,164
Total liabilities from financing activities	339,469	114,430	(1,118)	452,781

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Reconciliation of liabilities arising from financing activities: (Cont'd)

Company

2018	Carrying amount as at 1 January 2018 RM'000	Cash flows RM'000	Non-cash changes Foreign exchange movement RM'000	Carrying amount as at 31 December 2018 RM'000
Loans from immediate holding company	-	**73,461**	-	**73,461**
Short term trade borrowings	**403,617**	**(159,760)**	**(19)**	**243,838**
Total liabilities from financing activities	**403,617**	**(86,299)**	**(19)**	**317,299**

2017	Carrying amount as at 1 January 2017 RM'000	Cash flows RM'000	Non-cash changes Foreign exchange movement RM'000	Carrying amount as at 31 December 2017 RM'000
Short term trade borrowings, representing total liabilities from financing activities	289,187	114,430	-	403,617

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia. The principal place of business of the Company is located at 27, Jalan Pantai, 12000 Butterworth, Penang, 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 penultimate holding and ultimate holding companies of the Company are The Cairns Pte. Ltd. and Tan Chin Tuan Pte. Ltd. respectively, both of which are private limited liability companies 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, associates and joint ventures are set out in Notes 20 and 21 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 of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 follow:

On 1 January 2018, the Group and the Company have adopted the following new standards, amendments, IC Interpretation and annual improvements to MFRS mandatory for annual financial periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.2 Changes in accounting policies (Cont'd)

Description	*Effective for annual periods beginning on or after*
Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Adoption of the above standards did not have material impact on the financial performance or position of the Group and of the Company, except as disclosed below:

MFRS 15 Revenue from Contracts with Customers

This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no impact other than the disclosures in the Group's and the Company's financial statements.

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*
Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3 Business Combinations – Definition of a Business	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

Description	*Effective for annual periods beginning on or after*
Amendments to MFRS 101 Presentation of Financial Statements, and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
Conceptual Framework in MFRS Standards:	
Amendments to MFRS 2 Share-Based Payment	1 January 2020
Amendment to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138 Intangible Assets	1 January 2020
Amendment to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets – Web Site Costs	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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:

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

MFRS 16 Leases (Cont'd)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117. MFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The adoption of this standard will not have material impact on the Group's and the Company's financial position or performance.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date. The Group and the Company may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the solely payments of principal and interest ("SPPI") criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in MFRS 9 applies to such long-term interests.

In applying MFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Annual Improvements to MFRS Standards 2015–2017 Cycle

i. MFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.

In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

Annual Improvements to MFRS Standards 2015–2017 Cycle (Cont'd)

ii. MFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

iii. MFRS 112 Income taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

iv. MFRS 123 Borrowing costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

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.

2. Summary of significant accounting policies (Cont'd)

2.4 Basis of consolidation (Cont'd)

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 involvement 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.4 Basis of consolidation (Cont'd)

Business combinations (Cont'd)

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 involvement 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 2.13.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.6 Investments in associates and joint ventures (Cont'd)

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 investments 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 determines whether it is necessary to recognise an additional impairment loss on the Group's investments in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

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 2.13.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2.13.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2.13.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

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

b) Mine properties (Cont'd)

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.

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.

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 2.13.

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.

2. Summary of significant accounting policies (Cont'd)

2.10 Property, plant and equipment and depreciation (Cont'd)

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 with sufficient regularity 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.

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 of 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:

Leasehold land	80 years
Buildings	8 to 40 years
Plant, equipment and vehicles	3 to 40 years
Furniture	4 to 10 years
Mine restoration	15 years, or remaining life of mine, whichever is shorter

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 2.13.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

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 2.13.

2.12 Land held for development

Land held for development consists of land (representing long-term inventories) on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value.

Cost associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Land held for development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

2.13 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.

Impairment losses of continuing operations 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.13 Impairment of non-financial assets (Cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at 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.

2.14 Financial assets

Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group and the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.14 Financial assets (Cont'd)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

- Amortised cost

  Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

- Fair value through other comprehensive income ("FVOCI")

  Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

- Fair value through profit or loss

  Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in finance income.

Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's and the Company's right to receive payments is established. For investments in equity instruments which the Group and the Company's has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.14 Financial assets (Cont'd)

Subsequent measurement (Cont'd)

<u>Derivatives</u>

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

2.15 Impairment of financial assets

The Group and the Company assess at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occuring over the expected life with the risk of default since initial recognition. In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit rating and other supportive information to assess deterioration in credit quality of a financial asset where practical. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group and the Company measure the impairment loss based on the two-step approach to measure the Expected Credit Loss ("ECL") on financial assets:

- 12-months ECL

  For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occuring within the next 12 months considering the loss given default of that financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.15 Impairment of financial assets (Cont'd)

- Lifetime ECL

  For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-months ECL.

2.16 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 cost 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.

Cost of tin inventories which has no matching sales contract is calculated using the weighted average cost method less allowance for conversion.

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.

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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.18 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

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.

2.19 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.

2.20 Financial liabilities

Initial recognition and measurement

Financial liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.20 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 acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group and the Company that do not meet the hedge accounting criteria. 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.

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under MFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.21 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

2.22 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 40(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.22 Fair value measurement (Cont'd)

The Group and the Company determine the policies and procedures for recurring fair value measurement for properties and derivatives instruments such as forward currency contracts.

External valuers may be involved for valuation of significant assets, such as properties. 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.

2.23 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.23 Derivative financial instruments and hedge accounting (Cont'd)

Initial recognition and subsequent measurement (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.23 Derivative financial instruments and hedge accounting (Cont'd)

Initial recognition and subsequent measurement (Cont'd)

Cash flow hedges (Cont'd)

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.

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.

2.24 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.

2. Summary of significant accounting policies (Cont'd)

2.24 Foreign currencies (Cont'd)

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).

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.

2.25 Non-current assets classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. 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. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.25 Non-current assets classified as held for sale (Cont'd)

The criteria for held for sale classification 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. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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

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

2.26 Revenue and other income recognition

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(i) Sale of tin

Revenue is recognised when "control" of the goods is transferred to the customer. For sale of tin through Kuala Lumpur Tin Market ("KLTM")/ London Metal Exchange ("LME"), revenue is recognised upon tin warrant issued. For sale of tin to the end-customer, revenue is recognised upon delivery of tin to the customer, or according to the agreed Incoterms with customers.

Tin warrant is a document of possession, used as the means of delivery tin metal under KLTM/ LME contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.26 Revenue and other income recognition (Cont'd)

(ii) Smelting revenue

Smelting revenue is recognised at a point in time upon performance of services. The Group and the Company act as an agent to provide tin smelting services on tin materials supply by the customers. The Group and the Company do not own and have no control of the tin materials. The Group and the Company recognise smelting revenue for services provided.

(iii) Sale of by-products

Revenue is recognised upon delivery/shipment to the customer, or according to the agreed Incoterms with customers.

(iv) Others

Others represent delivery and handling service charges and warehouse rent and are recognised upon performance of services.

No element of financing is deemed present, as payment is generally made on the basis of cash on delivery or up to 90 days of credit.

Other income

- Interest income is recognised on an accrual basis using effective interest method.
- Dividend income is recognised when the Group's and the Company's right to receive payment is established.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.28 Income tax (Cont'd)

(b) Deferred tax (Cont'd)

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.

2.29 Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.30 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").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Cont'd)

2.30 Employee benefits (Cont'd)

(c) 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.

2.31 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 operating officers responsible for the performance of the respective segments under their charge. The segment chief operating officers report directly to the chief executive officer 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 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.32 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.

2.33 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Significant accounting judgements and estimates (Cont'd)

3.1 Judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's and the Company's accounting policies that has significant effect on the amounts recognised in the financial statements.

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 8 to 40 years. These are common life expectancies applied in such industry. Changes in the expected level of usage and timing of relocation to Pulau Indah 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 16.

(b) 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 subsidiary has engaged a South Korean consultant specialising in mine restoration to carry out assessment on the mine restoration plan. The mine restoration plan was resubmitted by the subsidiary to the relevant authorities during the year ended 31 December 2017. The carrying amount of provision for mine restoration costs amounting to RM26.5 million (2017: RM28.2 million) is as disclosed in Note 32. While the Group intends to resubmit its mine restoration plan upon the approval of its application of the proposed extension of the mining leases from the relevant authorities, the provision for mine restoration costs, based on the methodology proposed by the South Korean consultant and adopted by the subsidiary in its mine restoration plan, represents the current best estimate made by the Board of Directors. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Significant accounting judgements and estimates (Cont'd)

3.2 Key sources of estimation uncertainty (Cont'd)

(c) Inventories

Significant management judgement and estimation is required in applying: (i) valuation techniques to determine the valuation of tin-in-concentrates, tin-in-process and refined tin metal; and (ii) the timing of recognition of tin-in-concentrates based on the terms of the contracts.

Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where actual amount 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 25.

(d) Income taxes, deferred tax liabilities and tax recoverable

The Group and the Company are subject to income taxes in Malaysia and other overseas jurisdictions. Significant judgement is required in determining the capital allowance, reinvestment allowance and 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 Notes 13 and 24 respectively.

4. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of tin	**1,220,026**	1,394,059	**1,220,026**	1,394,059
Smelting revenue	**29,290**	26,765	**29,290**	26,765
Sale of by-products	**26,990**	10,751	**26,990**	10,751
Others	**4,600**	4,602	**4,599**	4,597
	1,280,906	1,436,177	**1,280,905**	1,436,172

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue (Cont'd)

Disaggregation of revenue

The following table illustrates the Group's revenue as disaggregated by major products or services and provides a reconciliation of the disaggregated revenue with the Group's two business segments as disclosed in Note 41. The table also includes the timing of revenue recognition.

	Tin smelting RM'000	Tin mining RM'000	Sub-total RM'000	Eliminations)/ Adjustments RM'000	Total RM'000
2018					
Major products or services:					
Sale of tin	**1,220,026**	**183,546**	**1,403,572**	**(183,546)**	**1,220,026**
Smelting revenue	**29,290**	**-**	**29,290**	**-**	**29,290**
Sale of by-products	**26,990**	**-**	**26,990**	**-**	**26,990**
Others	**4,600**	**-**	**4,600**	**-**	**4,600**
	1,280,906	**183,546**	**1,464,452**	**(183,546)**	**1,280,906**
Timing of revenue recognition					
At a point in time	**1,280,906**	**183,546**	**1,464,452**	**(183,546)**	**1,280,906**
2017					
Major products or services:					
Sale of tin	1,394,059	183,518	1,577,577	(183,518)	1,394,059
Smelting revenue	26,765	-	26,765	-	26,765
Sale of by-products	10,751	-	10,751	-	10,751
Others	4,602	-	4,602	-	4,602
	1,436,177	183,518	1,619,695	(183,518)	1,436,177
Timing of revenue recognition					
At a point in time	1,436,177	183,518	1,619,695	(183,518)	1,436,177

There is no separate disclosure for the disaggregation of revenue for the Company as the Company has only one business segment, i.e. tin smelting.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Dividend income

	Company	
	2018 RM'000	2017 RM'000
Dividend income from:		
Investment in subsidiaries - Unquoted in Malaysia	**65,340**	54,450
Investments in associates and joint ventures - Unquoted in Malaysia	**9**	9
	65,349	54,459

6. Interest income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income from:				
- Subsidiaries	**-**	-	**1,575**	927
- Associates	**178**	168	**178**	168
- Deposits placed with licensed banks	**579**	1,181	**491**	1,010
- Tin sales	**266**	310	**266**	310
	1,023	1,659	**2,510**	2,415

7. Other income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other operating income	**9,894**	6,408	**8,640**	6,129
Gain on disposal of property, plant and equipment	**160**	157	**160**	-
Net foreign exchange gain:				
- Realised	**-**	41	**-**	55
- Unrealised	**-**	1,564	**-**	446
Fair value changes in financial assets:				
- Forward currency contracts	**2,341**	-	**186**	788
Reversal of revaluation deficit on property	**-**	51	**-**	-
Gain on disposal of a joint venture	**2,026**	-	**2,026**	-
	14,421	8,221	**11,012**	7,418

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Profit before tax

The following items have been included in arriving at the profit before tax:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
After charging/(crediting):				
Auditors' remuneration:				
- statutory audits	**663**	599	**510**	460
- other services	**155**	70	**155**	70
Amortisation of prepaid land lease payments (Note 17)	**27**	33	**-**	-
Amortisation of mining rights (Note 19)	**920**	886	**-**	-
Amortisation of corporate club memberships (Note 19)	**8**	32	**3**	3
Amortisation of mine properties (Note 23)	**1,046**	1,006	**-**	-
Amortisation expenses	**2,001**	1,957	**3**	3
Cost of tin mining and smelting*	**1,132,466**	1,318,726	**1,201,330**	1,396,040
Depreciation of property, plant and equipment (Note 16)	**15,426**	13,042	**5,310**	4,270
Directors' fees (Note 38(b))	**470**	538	**470**	538
Hire of equipment and vehicles	**356**	190	**339**	190
Professional indemnity insurance for directors and officers	**92**	77	**92**	77
Rental of land and buildings	**237**	280	**2,006**	1,848

* The costs of tin mining and smelting include cost of purchase, production costs (other than employee benefits expense, depreciation and amortisation), and other related costs.

9. Employee benefits expense

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Wages and salaries	**48,417**	48,456	**28,911**	30,870
Social security contribution	**517**	398	**235**	196
Contribution to defined contribution plan	**5,060**	5,536	**3,364**	4,049
Other benefits	**2,195**	2,490	**1,797**	2,133
	56,189	56,880	**34,307**	37,248

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. (Reversal of impairment losses)/ Impairment losses

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(Reversal of impairment)/Impairment of receivables (Note 27)	**(2,906)**	-	**(13,813)**	14,539
Impairment/(Reversal of impairment) of investments in associates and joint ventures	**185**	(129)	**-**	-
	(2,721)	(129)	**(13,813)**	14,539

11. Finance costs

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest expenses on bank borrowings	**16,304**	13,674	**14,354**	11,657
Interest expenses on amount due to a subsidiary	**-**	-	**3,037**	2,018
Interest expenses on loans from immediate holding company	**843**	-	**843**	-
Commitment fees	**16**	22	**16**	22
Unwinding of discount on provision (Note 32)	**995**	1,022	**-**	-
	18,158	14,718	**18,250**	13,697

12. Other expenses

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Administrative expenses	**15,342**	9,726	**4,449**	4,186
Marketing and distribution expenses	**1,268**	955	**1,268**	955
Net foreign exchange loss:				
- Realised	**6,668**	-	**4,531**	-
- Unrealised	**217**	-	**204**	-
Property, plant and equipment written off	**56**	1	**21**	-
Loss on disposal of property, plant and equipment	**-**	-	**-**	126
Fair value changes in financial assets: - Forward currency contracts	**-**	823	**-**	-
Loss on disposal of intangible assets	**-**	14	**-**	-
Revaluation deficit on property	**1,805**	-	**454**	-
	25,356	11,519	**10,927**	5,267

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Income tax expense

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statements of profit or loss				
Malaysian income tax:				
Current income tax	**18,498**	16,252	**944**	-
Over provision in prior year	**(21)**	(270)	**-**	(207)
	18,477	15,982	**944**	(207)
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	**(4,535)**	(5,791)	**1,266**	(2,628)
Under provision in prior year	**1,543**	1,940	**233**	1,925
	(2,992)	(3,851)	**1,499**	(703)
Income tax expense/(credit) recognised in profit or loss	**15,485**	12,131	**2,443**	(910)
Statements of comprehensive income				
Deferred tax related to other comprehensive income (Note 24):				
Net surplus on revaluation of properties	**2,402**	32	**27**	98
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	**(1,101)**	(533)	**(1,101)**	(533)
Net fair value changes on cash flow hedges	**-**	543	**-**	543
	1,301	42	**(1,074)**	108

Domestic current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. The statutory income tax rate will be reduced from the current year's rate of 24% for year of assessments 2017 and 2018, as follows:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point reduction	Income tax rate after reduction (%)
Less than 5.00	NIL	24
5.00 - 9.99	1	23
10.00 - 14.99	2	22
15.00 - 19.99	3	21
20.00 and above	4	20

The reduction in income tax rate from 24% to 20% is only applicable to the incremental chargeable income as compared to the immediate preceding year of assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Income tax expense (Cont'd)

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:

	2018	2017
Indonesia	**25%**	25%
Singapore	**17%**	17%

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	**49,779**	28,235	**103,462**	29,400
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	**11,947**	6,776	**24,831**	7,056
Effect of reduction in Malaysian income tax rate on incremental chargeable income	**-**	(792)	**-**	-
Different tax rates in other countries	**1**	3	**-**	-
Deferred tax recognised at different tax rates	**8**	-	**-**	-
Income not subject to tax	**(765)**	(26)	**(19,390)**	(13,030)
Expenses not deductible for tax purpose	**6,636**	4,500	**633**	3,346
Reinvestment allowance claimed	**(3,864)**	-	**(3,864)**	-
Over provision of tax expense in prior year	**(21)**	(270)	**-**	(207)
Under provision of deferred tax in prior year	**1,543**	1,940	**233**	1,925
Income tax expense/(credit) recognised in profit or loss	**15,485**	12,131	**2,443**	(910)

14. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Pursuant to the requirements of MFRS 133 Earnings per Share, the weighted average number of ordinary shares used in the calculation of basic and diluted EPS for the current and previous financial year ended 31 December 2018 and 31 December 2017 have been retrospectively adjusted to reflect the split shares and bonus issue.

	Group	
	2018	2017
Profit net of tax attributable to owners of the Company (RM'000)	**34,297**	16,105
Weighted average number of ordinary shares in issue ('000)	**400,000**	400,000
Basic and diluted earnings per share (sen)	**8.6**	4.0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Dividends

	2018 RM'000	2017 RM'000	Net dividend per ordinary share 2018 sen	2017 sen
Final single-tier dividend of RM0.08 per share on 100,000,000 ordinary shares, for the year ended 31 December 2016, declared on 21 April 2017 and paid on 11 July 2017	-	8,000	-	8
First and final single-tier dividend of RM0.04 per share on 100,000,000 ordinary shares, for the year ended 31 December 2017, declared on 30 May 2018 and paid on 9 July 2018	**4,000**	-	**4**	-
	4,000	8,000	**4**	8

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a first and final single-tier dividend of RM0.02 per share amounting to RM8,000,000 for the financial year ended 31 December 2018.

The financial statements for the financial year ended 31 December 2018 do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

16. Property, plant and equipment

Group	Freehold land RM'000	Leasehold 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 2018							
- At cost	**-**	**-**	**-**	**122,054**	**25,066**	**1,661**	**148,781**
- At valuation	**36,669**	**24,670**	**28,189**	**-**	**-**	**-**	**89,528**
	36,669	**24,670**	**28,189**	**122,054**	**25,066**	**1,661**	**238,309**
Additions	**7,461**	**-**	**-**	**1,147**	**-**	**9,382**	**17,990**
Reversal	**-**	**-**	**-**	**-**	**(2,670)**	**-**	**(2,670)**
Disposals	**-**	**-**	**-**	**(992)**	**-**	**-**	**(992)**
Written off	**-**	**-**	**-**	**(1,637)**	**-**	**-**	**(1,637)**
Transfer in/(out)	**-**	**-**	**3,158**	**2,599**	**-**	**(5,757)**	**-**
Revaluation surplus/(deficit)	**34,602**	**2,938**	**(4,042)**	**-**	**-**	**-**	**33,498**
Reclassified from prepaid land lease payments (Note 17)	**228**	**-**	**-**	**-**	**-**	**-**	**228**
Reclassified to land held for development (Note 18)	**(78,654)**	**-**	**-**	**-**	**-**	**-**	**(78,654)**
Reclassified to non-current assets classified as held for sale (Note 31)	**-**	**-**	**(4,600)**	**-**	**-**	**-**	**(4,600)**
Elimination of accumulated depreciation on revaluation	**-**	**(308)**	**(2,772)**	**-**	**-**	**-**	**(3,080)**
At 31 December 2018	**306**	**27,300**	**19,933**	**123,171**	**22,396**	**5,286**	**198,392**
Representing:							
- At cost	**-**	**-**	**-**	**123,171**	**22,396**	**5,286**	**150,853**
- At valuation	**306**	**27,300**	**19,933**	**-**	**-**	**-**	**47,539**
At 31 December 2018	**306**	**27,300**	**19,933**	**123,171**	**22,396**	**5,286**	**198,392**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Property, plant and equipment (Cont'd)

Group	Freehold land RM'000	Leasehold 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
Accumulated depreciation							
At 1 January 2018	-	-	-	**70,218**	**8,782**	-	**79,000**
Depreciation charge for the year (Note 8)	-	**308**	**2,772**	**9,089**	**3,257**	-	**15,426**
Disposals	-	-	-	**(992)**	-	-	**(992)**
Written off	-	-	-	**(1,581)**	-	-	**(1,581)**
Elimination of accumulated depreciation on revaluation	-	**(308)**	**(2,772)**	-	-	-	**(3,080)**
At 31 December 2018	-	-	-	**76,734**	**12,039**	-	**88,773**
Net carrying amount							
- At cost	-	-	-	**46,437**	**10,357**	**5,286**	**62,080**
- At valuation	**306**	**27,300**	**19,933**	-	-	-	**47,539**
At 31 December 2018	**306**	**27,300**	**19,933**	**46,437**	**10,357**	**5,286**	**109,619**
Cost or Valuation							
At 1 January 2017							
- At cost	-	-	-	116,285	24,632	1,582	142,499
- At valuation	30,095	24,670	29,041	-	-	-	83,806
	30,095	24,670	29,041	116,285	24,632	1,582	226,305
Additions	-	-	2,491	2,337	434	5,072	10,334
Disposals	-	-	-	(1,522)	-	-	(1,522)
Written off	-	-	-	(39)	-	-	(39)
Transfer in/(out)	-	-	-	4,993	-	(4,993)	-
Revaluation surplus/(deficit)	6,574	360	(1,546)	-	-	-	5,388
Elimination of accumulated depreciation on revaluation	-	(360)	(1,797)	-	-	-	(2,157)
At 31 December 2017	36,669	24,670	28,189	122,054	25,066	1,661	238,309
Representing:							
- At cost	-	-	-	122,054	25,066	1,661	148,781
- At valuation	36,669	24,670	28,189	-	-	-	89,528
At 31 December 2017	36,669	24,670	28,189	122,054	25,066	1,661	238,309

16. Property, plant and equipment (Cont'd)

Group	Freehold land RM'000	Leasehold 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
Accumulated depreciation							
At 1 January 2017	-	51	-	63,446	5,193	-	68,690
Depreciation charge for the year (Note 8)	-	309	1,797	7,347	3,589	-	13,042
Disposals	-	-	-	(537)	-	-	(537)
Written off	-	-	-	(38)	-	-	(38)
Elimination of accumulated depreciation on revaluation	-	(360)	(1,797)	-	-	-	(2,157)
At 31 December 2017	-	-	-	70,218	8,782	-	79,000
Net carrying amount							
- At cost	-	-	-	51,836	16,284	1,661	69,781
- At valuation	36,669	24,670	28,189	-	-	-	89,528
At 31 December 2017	36,669	24,670	28,189	51,836	16,284	1,661	159,309

Company	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
Cost or Valuation				
At 1 January 2018				
- At cost	**-**	**70,707**	**40**	**70,747**
- At valuation	**11,246**	**-**	**-**	**11,246**
	11,246	**70,707**	**40**	**81,993**
Additions	**9,467**	**19,290**	**5,381**	**34,138**
Disposals	**-**	**(992)**	**-**	**(992)**
Written off	**-**	**(155)**	**-**	**(155)**
Transfer in/(out)	**-**	**305**	**(305)**	**-**
Reclassified to non-current assets classified as held for sale (Note 31)	**(4,600)**	**-**	**-**	**(4,600)**
Revaluation deficit	**(2,292)**	**-**	**-**	**(2,292)**
Elimination of accumulated depreciation on revaluation	**(312)**	**-**	**-**	**(312)**
At 31 December 2018	**13,509**	**89,155**	**5,116**	**107,780**
Representing:				
- At cost	**-**	**89,155**	**5,116**	**94,271**
- At valuation	**13,509**	**-**	**-**	**13,509**
At 31 December 2018	**13,509**	**89,155**	**5,116**	**107,780**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Property, plant and equipment (Cont'd)

Company	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation				
At 1 January 2018	**-**	**47,242**	**-**	**47,242**
Depreciation charge for the year (Note 8)	**312**	**4,998**	**-**	**5,310**
Disposals	**-**	**(992)**	**-**	**(992)**
Written off	**-**	**(134)**	**-**	**(134)**
Elimination of accumulated depreciation on revaluation	**(312)**	**-**	**-**	**(312)**
At 31 December 2018	**-**	**51,114**	**-**	**51,114**
Net carrying amount				
- At cost	**-**	**38,041**	**5,116**	**43,157**
- At valuation	**13,509**	**-**	**-**	**13,509**
At 31 December 2018	**13,509**	**38,041**	**5,116**	**56,666**

Included in the Company's additions to property, plant and equipment is the transfer of assets from a subsidiary, M Smelt (C) Sdn. Bhd. on 31 December 2018 amounting to RM31,876,000. The total consideration for the assets transferred was set-off against the amount due from the subsidiary.

Company	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
Cost or Valuation				
At 1 January 2017				
- At cost	-	66,631	1,582	68,213
- At valuation	11,150	-	-	11,150
	11,150	66,631	1,582	79,363
Additions	-	-	3,451	3,451
Disposals	-	(888)	-	(888)
Written off	-	(29)	-	(29)
Transfer in/(out)	-	4,993	(4,993)	-
Revaluation surplus	406	-	-	406
Elimination of accumulated depreciation on revaluation	(310)	-	-	(310)
At 31 December 2017	11,246	70,707	40	81,993
Representing:				
- At cost	-	70,707	40	70,747
- At valuation	11,246	-	-	11,246
At 31 December 2017	11,246	70,707	40	81,993

16. Property, plant and equipment (Cont'd)

Company	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation				
At 1 January 2017	-	43,831	-	43,831
Depreciation charge for the year (Note 8)	310	3,960	-	4,270
Disposals	-	(520)	-	(520)
Written off	-	(29)	-	(29)
Elimination of accumulated depreciation on revaluation	(310)	-	-	(310)
At 31 December 2017	-	47,242	-	47,242
Net carrying amount				
- At cost	-	23,465	40	23,505
- At valuation	11,246	-	-	11,246
At 31 December 2017	11,246	23,465	40	34,751

Group

Land and buildings owned by the Group were revalued on 31 December 2018 based on valuations carried out by independent firms of professional valuers as follows:

	Description of Property	Valuation RM'000
(i)	Land with offices and factory buildings in Pulau Indah Industrial Park	40,471
(ii)	80 units of flats in Bukit Mertajam	4,496
(iii)	Land and buildings in Daerah Hulu Perak	2,572
		47,539

Further details on the valuation are disclosed in Note 40(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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Freehold land	**105**	9,339	**-**	-
Leasehold land	**24,002**	24,310	**-**	-
Buildings	**16,188**	17,635	**11,499**	5,077

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Prepaid land lease payments

Group	2018 RM'000	2017 RM'000
Leasehold land		
At 1 January	**740**	773
Amortisation for the year (Note 8)	**(27)**	(33)
Reclassified to property, plant and equipment (Note 16)	**(228)**	-
At 31 December	**485**	740
Analysed as:		
Long term leasehold land	**485**	494
Short term leasehold land	**-**	246
	485	740
Amount to be amortised:		
- Not later than one year	**7**	33
- Later than one year but not later than five years	**30**	131
- Later than five years	**448**	576
	485	740

The long term leasehold land has unexpired lease periods of between 50 and 94 years (2017: 51 and 95 years). The short term leasehold land has unexpired lease period of 11 years in 2017. A short term leasehold land, Lot 268 located at Butterworth, was converted to freehold land during the year and accordingly the book value RM228,000 has been reclassified to property, plant and equipment.

18. Land held for development

Group	2018 RM'000	2017 RM'000
At 1 January	**-**	-
Reclassified from property, plant and equipment (Note 16)	**78,654**	-
At 31 December	**78,654**	-

In September 2018, in furtherance to the Memorandum of Understanding between MSC Properties Sdn. Bhd., a wholly owned subsidiary of MSC and The Straits Trading Company Limited on 27 September 2018 for the proposed joint cooperation of both parties either to develop or sell the land, a valuation was carried out to ascertain the fair market value of the freehold land and buildings located at 27 Jalan Pantai, 12000 Butterworth, on a "Redevelopment" basis. The revaluation exercise gives a net revaluation surplus of RM30.5 million. The said property after the revaluation was then reclassified from property, plant and equipment to land held for development, and the related revaluation reserves were reclassified to retained earnings.

The state authority has approved the subsidiary, MSC Properties Sdn. Bhd.'s application to surrender and realienate the existing Lot Nos.142 to 187, 268 and 362 to 7 (seven) new parcels identified as Plot 1 to Plot 7. Plot 1 to Plot 4 will each be issued with a new title whilst Plots 5 to 7 will have to be surrendered to the government. As at the reporting date, the individual titles for Plot 1 to Plot 4 are yet to be issued to the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Intangible assets

Group	Mining rights RM'000	Corporate club memberships RM'000	Total RM'000
Cost			
At 1 January 2018/ 31 December 2018	**21,817**	**566**	**22,383**
At 1 January 2017	21,817	1,078	22,895
Additions	-	65	65
Disposals	-	(577)	(577)
31 December 2017	21,817	566	22,383
Accumulated amortisation			
At 1 January 2018	**16,397**	**44**	**16,441**
Amortisation for the year (Note 8)	**920**	**8**	**928**
At 31 December 2018	**17,317**	**52**	**17,369**
At 1 January 2017	15,511	389	15,900
Amortisation for the year (Note 8)	886	32	918
Disposals	-	(377)	(377)
At 31 December 2017	16,397	44	16,441
Net carrying amount			
At 31 December 2018	**4,500**	**514**	**5,014**
At 31 December 2017	5,420	522	5,942

Company	Corporate club membership RM'000
Cost	
At 1 January 2017/31 December 2017/31 December 2018	**215**
Accumulated amortisation	
At 1 January 2018	**11**
Amortisation for the year (Note 8)	**3**
At 31 December 2018	**14**
At 1 January 2017	8
Amortisation for the year (Note 8)	3
At 31 December 2017	11
Net carrying amount	
At 31 December 2018	**201**
At 31 December 2017	204

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Intangible assets (Cont'd)

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.

20. Investment in subsidiaries

Company	2018 RM'000	2017 RM'000
Unquoted shares, at cost	**148,681**	148,681

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^	
			2018 %	2017 %	2018 %	2017 %
Held by the Company:						
Malaysia Smelting Corporation (Warehousing) Sdn. Bhd. ("MSCW")*	Malaysia	Tin warehousing	**100**	100	**-**	-
Rahman Hydraulic Tin Sdn. Bhd. ("RHT")*	Malaysia	Tin mining	**100**	100	**-**	-
MSC Properties Sdn. Bhd. ("MSCP")*	Malaysia	Property holding and rental	**100**	100	**-**	-
Straits Resource Management Private Limited ("SRM")**	Singapore	Investment holding	**100**	100	**-**	-
M Smelt (C) Sdn. Bhd. ("M Smelt")*	Malaysia	Smelting of non-ferrous metals~	**100**	100	**-**	-
Held through subsidiaries:						
Held by RHT						
SL Tin Sdn. Bhd. ("SL Tin")***	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 intended activity of M Smelt is smelting of non-ferrous metals. M Smelt has yet to commence operation since the date of incorporation

The non-controlling interests in respect of SL Tin and PT SRM are not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. Investments in associates and joint ventures

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Investments in associates				
In Malaysia:				
Unquoted shares, at cost	**10,473**	10,473	**10,473**	10,473
Share of post-acquisition reserves	**16,799**	16,451	**-**	-
	27,272	26,924	**10,473**	10,473
Investments in joint ventures				
In Malaysia:				
Unquoted shares, at cost	**8,193**	8,193	**8,193**	8,193
Share of post-acquisition reserves	**5,881**	5,468	**-**	-
	14,074	13,661	**8,193**	8,193
Accumulated impairment losses	**(6,202)**	(6,017)	**-**	-
	7,872	7,644	**8,193**	8,193
Total investments in associates and joint ventures	**35,144**	34,568	**18,666**	18,666

(i) Investments 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* 2018 %	2017 %	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.

Investment in Guilin was written off in 2017, as it was dormant and no longer in operation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. Investments in associates and joint ventures (Cont'd)

(i) Investments in associates (Cont'd)

The summarised financial information of Redring, a material associate, based on its financial statements and a reconciliation with the carrying amount of Group's interest is set out below.

Summarised statement of financial position of Redring is as follows:

	2018 RM'000	2017 RM'000
Non-current assets	**22,402**	22,513
Current assets	**52,765**	51,492
Total assets	**75,167**	74,005
Non-current liabilities	**649**	439
Current liabilities	**6,337**	6,255
Total liabilities	**6,986**	6,694
Net assets	**68,181**	67,311

Summarised statement of profit or loss and other comprehensive income of Redring as follows:

	2018 RM'000	2017 RM'000
Revenue	**82,468**	81,139
Profit/(Loss) before tax	**1,398**	(1,070)
Profit/(Loss) for the year	**371**	(1,054)
Other comprehensive income/(loss)	**522**	(1,024)
Total comprehensive income/(loss)	**893**	(2,078)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in Redring:

	2018 RM'000	2017 RM'000
Net assets at 31 December	**68,181**	67,311
Interest in associate	**40%**	40%
Carrying value of Group's interest in associate	**27,272**	26,924

21. Investments in associates and joint ventures (Cont'd)

(ii) Investments 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* 2018 %	2017 %	Nature of relationship	Accounting model applied
Held by the Company:					
KM Resources, Inc ("KMR")	Labuan, Malaysia	**30**	30	Note (a)	Equity method
Africa Smelting Corporation Sprl ("ASC")	Democratic Republic of Congo	-	40	Note (b)	Equity method

* equals to the proportion of voting rights held

(a) 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 of KMR in the Philippines have ceased the mining and processing operations due to depletion of mineral resources.

An impairment loss of RM185,000 (2017: A reversal of impairment of RM129,000) was recognised in profit or loss of the Group in respect of the Group's investment in KMR. The recoverable amount was derived based on management's estimate of fair value less costs to sell.

KMR has the same reporting period as the Group. No quoted market price is available for the shares of KMR as it is a private company.

(b) During the financial year, the Company disposed of its entire 40% interest in ASC, for a consideration of USD500,000. This investment was previously written off during the financial year 2017.

Summarised financial information of KMR Group, a material joint venture, based on their financial statements and a reconciliation with the carrying amount of Group's interest is set out below.

Summarised statement of financial position of KMR Group as follows:

	2018 RM'000	2017 RM'000
Non-current assets	**22,262**	20,841
Cash and cash equivalents	**24,302**	25,203
Other current assets	**1,640**	283
Total current assets	**25,942**	25,486
Total assets	**48,204**	46,327
Trade and other payables and provisions, representing total current liabilities	**532**	7
Non-current liabilities (excluding trade and other payables and provisions), representing total non-current liabilities	**759**	782
Total liabilities	**1,291**	789
Net assets	**46,913**	45,538

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. Investments in associates and joint ventures (Cont'd)

(ii) Investments in joint ventures (Cont'd)

Summarised statement of profit or loss and other comprehensive income of KMR Group as follows:

	2018 RM'000	2017 RM'000
Interest income	**85**	10
Profit/(Loss) before tax	**328**	(3,185)
Profit/(Loss) after tax	**328**	(3,458)
Profit/(Loss) after tax - attributable to owners of the Company	**520**	(2,290)
Other comprehensive income/(loss)	**855**	(4,563)
Total comprehensive income/(loss)	**1,375**	(6,853)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in KMR Group:

	2018 RM'000	2017 RM'000
Net assets at 31 December	**46,913**	45,538
Interest in joint venture	**30%**	30%
	14,074	13,661
Accumulated impairment losses	**(6,202)**	(6,017)
Carrying value of Group's interest in joint venture	**7,872**	7,644

22. Investment securities

Group and Company	2018 RM'000	2017 RM'000
Equity securities		
Quoted investments	**14,505**	21,205
Unquoted investment	**-**	-

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

Group and Company	2018 RM'000	2017 RM'000
At fair value through other comprehensive income		
- Equity securities (quoted)		
- Asian Mineral Resources Limited ("AMR")	**166**	3,540
- Alphamin Resources Corp. ("Alphamin")	**14,339**	17,665
	14,505	21,205

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. Investment securities (Cont'd)

The Group and the Company have elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term capital appreciation.

(a) Quoted investments

These comprise the investment in AMR and Alphamin, both incorporated in Canada and listed on the Toronto Venture Exchange.

(b) Unquoted investment

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.

The Group and the Company recognise the fair value of the investment in TMR to be nil as the operations had been suspended and there is no indication that it would resume.

23. Other non-current assets

Group	Deferred mine exploration and evaluation expenditures RM'000	Mine properties RM'000	Total RM'000
At 1 January 2018	**9,614**	**4,831**	**14,445**
Additions	**642**	**-**	**642**
Amortisation to profit or loss (Note 8)	**-**	**(1,046)**	**(1,046)**
At 31 December 2018	**10,256**	**3,785**	**14,041**
At 1 January 2017	9,193	5,832	15,025
Additions	421	5	426
Amortisation to profit or loss (Note 8)	-	(1,006)	(1,006)
At 31 December 2017	9,614	4,831	14,445

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 recovered 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Deferred tax

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At 1 January	**(5,884)**	(2,027)	**(140)**	455
Disposal of intangible assets	**-**	(48)	**-**	-
Recognised in profit or loss (Note 13)	**(2,992)**	(3,851)	**1,499**	(703)
Recognised in other comprehensive income (Note 13)	**1,301**	42	**(1,074)**	108
At 31 December	**(7,575)**	(5,884)	**285**	(140)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(11,853)**	(7,227)	**-**	(140)
Deferred tax liabilities	**4,278**	1,343	**285**	-
	(7,575)	(5,884)	**285**	(140)

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

Deferred tax liabilities

	Property, plant and equipment RM'000	Fair value changes on derivative financial instruments RM'000	Other temporary differences RM'000	Total RM'000
Group				
At 1 January 2018	**6,700**	**90**	**1,101**	**7,891**
Recognised in profit or loss	**888**	**45**	**-**	**933**
Recognised in other comprehensive income	**2,402**	**-**	**(1,101)**	**1,301**
At 31 December 2018	**9,990**	**135**	**-**	**10,125**
At 1 January 2017	6,598	(642)	1,634	7,590
Disposal of intangible assets	(48)	-	-	(48)
Recognised in profit or loss	118	189	-	307
Recognised in other comprehensive income	32	543	(533)	42
At 31 December 2017	6,700	90	1,101	7,891

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Deferred tax (Cont'd)

Deferred tax liabilities (Cont'd)

	Property, plant and equipment RM'000	Fair value changes on derivative financial instruments RM'000	Other temporary differences RM'000	Total RM'000
Company				
At 1 January 2018	**5,118**	**90**	**1,101**	**6,309**
Recognised in profit or loss	**1,374**	**45**	**-**	**1,419**
Recognised in other comprehensive income	**27**	**-**	**(1,101)**	**(1,074)**
At 31 December 2018	**6,519**	**135**	**-**	**6,654**
At 1 January 2017	4,729	(642)	1,634	5,721
Recognised in profit or loss	291	189	-	480
Recognised in other comprehensive income	98	543	(533)	108
At 31 December 2017	5,118	90	1,101	6,309

Deferred tax assets

	Unutilised tax losses and unabsorbed capital allowances RM'000	Unutilised reinvestment allowance RM'000	Receivables RM'000	Other provisions RM'000	Total RM'000
Group					
At 1 January 2018	**(2,600)**	**-**	**(168)**	**(11,007)**	**(13,775)**
Recognised in profit or loss	**2,062**	**(2,241)**	**-**	**(3,746)**	**(3,925)**
At 31 December 2018	**(538)**	**(2,241)**	**(168)**	**(14,753)**	**(17,700)**
At 1 January 2017	-	-	(2,426)	(7,191)	(9,617)
Recognised in profit or loss	(2,600)	-	2,258	(3,816)	(4,158)
At 31 December 2017	(2,600)	-	(168)	(11,007)	(13,775)
Company					
At 1 January 2018	**(2,600)**	**-**	**(168)**	**(3,681)**	**(6,449)**
Recognised in profit or loss	**2,062**	**(2,241)**	**-**	**259**	**80**
At 31 December 2018	**(538)**	**(2,241)**	**(168)**	**(3,422)**	**(6,369)**
At 1 January 2017	-	-	(2,426)	(2,840)	(5,266)
Recognised in profit or loss	(2,600)	-	2,258	(841)	(1,183)
At 31 December 2017	(2,600)	-	(168)	(3,681)	(6,449)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Inventories

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**444,758**	455,262	**449,194**	458,036
Other inventories (stores, spares, fuels, coal and saleable by-products)	**8,148**	9,446	**5,630**	6,726
	452,906	464,708	**454,824**	464,762
At net realisable value:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**11,256**	4,969	**11,256**	4,969
	464,162	469,677	**466,080**	469,731

Tin inventories comprise feed materials or tin-in-concentrates from suppliers, tin bearing intermediates or tin-in-process and refined tin metal.

The cost of inventories recognised as an expense in cost of sales is RM1,132,466,000 (2017: RM1,318,726,000) for the Group and RM1,201,330,000 (2017: RM1,396,040,000) for the Company.

26. Trade receivables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Third parties	**21,621**	7,572	**21,620**	7,571
Associate	**404**	4,564	**404**	4,564
	22,025	12,136	**22,024**	12,135
Allowance for impairment				
- Third parties	**(700)**	(700)	**(700)**	(700)
Trade receivable, net	**21,325**	11,436	**21,324**	11,435
Add: **Other receivables (current and non-current) excluding GST recoverable** (Note 27)	**660**	914	**21,403**	18,881
Add: **Cash and bank balances** (Note 30)	**37,033**	68,678	**18,017**	58,795
Total financial assets carried at amortised cost	**59,018**	81,028	**60,744**	89,111

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Trade receivables (Cont'd)

Credit risk

The Group's and the Company's normal trade credit terms range from cash term to 90 days (2017: 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Other information on credit risk are disclosed in Note 39(d).

Amount due from an associate

These are unsecured and subject to the Group's and the Company's normal credit terms which range from cash term to 90 days (2017: 90 days) where interest rate of 5% (2017: 5%) per annum is charged.

Further details on related party transactions are disclosed in Note 38.

Other information on financial risks of trade receivables are disclosed in Note 39.

The aging analysis of trade receivables is as follows:

	Gross RM'000	Allowance for impairment RM'000	Net RM'000
Group			
At 31 December 2018			
Not past due	**21,222**	**-**	**21,222**
Past due:			
Less than 30 days	**-**	**-**	**-**
30 to 60 days	**72**	**-**	**72**
61 to 90 days	**-**	**-**	**-**
91 to 120 days	**3**	**-**	**3**
More than 120 days	**728**	**700**	**28**
	803	**700**	**103**
Total	**22,025**	**700**	**21,325**
At 31 December 2017			
Not past due	11,415	-	11,415
Past due:			
Less than 30 days	-	-	-
30 to 60 days	15	-	15
61 to 90 days	-	-	-
91 to 120 days	-	-	-
More than 120 days	706	700	6
	721	700	21
Total	12,136	700	11,436

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Trade receivables (Cont'd)

	Gross RM'000	Allowance for impairment RM'000	Net RM'000
Company			
At 31 December 2018			
Not past due	**21,221**	**-**	**21,221**
Past due:			
Less than 30 days	**-**	**-**	**-**
30 to 60 days	**72**	**-**	**72**
61 to 90 days	**-**	**-**	**-**
91 to 120 days	**3**	**-**	**3**
More than 120 days	**728**	**700**	**28**
	803	**700**	**103**
Total	**22,024**	**700**	**21,324**
At 31 December 2017			
Not past due	11,414	-	11,414
Past due:			
Less than 30 days	-	-	-
30 to 60 days	15	-	15
61 to 90 days	-	-	-
91 to 120 days	-	-	-
More than 120 days	706	700	6
	721	700	21
Total	12,135	700	11,435

Receivables that are neither past due nor impaired

Trade 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 RM3,478,000 (2017: RM Nil) 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 receivables amounting to RM103,000 (2017: RM21,000) 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.

26. Trade receivables (Cont'd)

Receivables that are impaired

The Group's and the Company's trade 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 2018 RM'000	Group/Company Individually impaired 2017 RM'000
Trade receivables-nominal amounts	**700**	700
Less: Allowance for impairment	**(700)**	(700)
	-	-

Movement in the allowance accounts:

	Group/Company 2018 RM'000	Group/Company 2017 RM'000
At 1 January	**700**	700
Impairment for the year	**-**	-
At 31 December	**700**	700

27. Other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Joint venture	(i)	**-**	6,935	**-**	6,935
Allowance for impairment - Joint venture		**-**	(6,935)	**-**	(6,935)
		-	-	**-**	-
Current					
Third parties		**233**	10,138	**183**	10,112
Subsidiaries	(ii)	**-**	-	**24,116**	32,278
Joint venture		**1**	59	**1**	59
		234	10,197	**24,300**	42,449
Allowance for impairment					
- Third parties		**-**	(9,775)	**-**	(9,775)
- Subsidiary		**-**	-	**(3,632)**	(14,539)
		234	422	**20,668**	18,135
Deposits		**426**	492	**735**	746
GST recoverable		**7,074**	8,431	**6,070**	4,978
		7,734	9,345	**27,473**	23,859
Total other receivables (current and non-current)		**7,734**	9,345	**27,473**	23,859
Less: GST recoverable		**(7,074)**	(8,431)	**(6,070)**	(4,978)
Total other receivables (current and non-current) excluding GST recoverable		**660**	914	**21,403**	18,881

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. Other receivables (Cont'd)

(i) Amount due from a joint venture

The amount is due from Africa Smelting Corporation Sprl. During the financial year, the Group and the Company have written off the amount due from a joint venture which had been fully impaired as at 31 December 2016.

(ii) Amounts due from subsidiaries

These are unsecured and repayable on demand and include advances amounting to RM24,095,000 (2017: RM32,278,000) where interest rates ranging from 3.0% to 4.0% (2017: 3.0% to 4.0%) per annum is charged.

Further details on related party transactions are disclosed in Note 38.

Other information on financial risks of other receivables are disclosed in Note 39.

Receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movements of allowance accounts used to record the impairment were as follows:

	Group Individually impaired		Company Individually impaired	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables-nominal amounts	-	16,710	**3,632**	35,157
Less: Allowance for impairment	-	(16,710)	**(3,632)**	(31,249)
	-	-	-	3,908

Movement in the allowance accounts:

	12-month ECL allowance RM'000	Lifetime ECL allowance RM'000	Total allowance RM'000
Group			
At 1 January 2018	**5,061**	**11,649**	**16,710**
Reversal of impairment losses (Note 10)	**-**	**(2,906)**	**(2,906)**
Written off	**(5,061)**	**(8,743)**	**(13,804)**
At 31 December 2018	**-**	**-**	**-**
At 1 January 2017	5,591	12,868	18,459
Exchange difference	(530)	(1,219)	(1,749)
At 31 December 2017	5,061	11,649	16,710

27. Other receivables (Cont'd)

Receivables that are impaired (Cont'd)

	12-month ECL allowance RM'000	Lifetime ECL allowance RM'000	Total allowance RM'000
Company			
At 1 January 2018	**5,061**	**26,188**	**31,249**
Reversal of impairment losses (Note 10)	**-**	**(13,813)**	**(13,813)**
Written off	**(5,061)**	**(8,743)**	**(13,804)**
At 31 December 2018	**-**	**3,632**	**3,632**
At 1 January 2017	5,591	12,868	18,459
Impairment for the year (Note 10)	-	14,539	14,539
Exchange difference	(530)	(1,219)	(1,749)
At 31 December 2017	5,061	26,188	31,249

At the reporting date, the Company has reversed an allowance of RM10,907,000 (2017: an allowance of RM14,539,000 for impairment) of the advances to a subsidiary due to recovery of debts.

28. Trade prepayments

Group and Company	2018 RM'000	2017 RM'000
Trade prepayments - nominal amounts	**18,969**	80,896
Less: Allowance for impairment	**-**	(31,202)
	18,969	49,694

The trade prepayments relate to provisional advances paid to suppliers of tin-in-concentrates.

Trade prepayment that was impaired in 2016 amounting to RM31,202,000 was written off during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Derivative financial instruments

Derivative financial instruments included in the statements of financial position at the reporting date were:

	Group		Company	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2018				
Forward currency contracts	**561**	**303**	**561**	**-**
Analysed as:				
Current	**561**	**-**	**561**	**-**
Non-current	**-**	**303**	**-**	**-**
At 31 December 2017				
Forward currency contracts	375	2,458	375	-
Analysed as:				
Current	375	2,458	375	-
Non-current	-	-	-	-

Forward currency contracts were entered into for the purpose of managing foreign exchange risk. The fair value changes of these contracts are recognised in profit or loss. During the financial year, there were no contracts designated as cash flow or fair value hedge.

The Group has the following derivative financial instruments at the reporting date:

At 31 December 2018

Forward currency contracts not designated as hedges

Forward currency contracts not designated as hedges to manage its foreign currency risk on expected future sales receivables.

Sell USD	Range of maturity period	Average exchange rate RM/USD
USD18,480,000	From January 2019 to April 2019	4.1716

A fair value gain of RM561,000 with a deferred tax expense of RM135,000 in respect of these contracts has been recognised in profit or loss.

Forward currency contracts not designated as hedges to manage its foreign currency risk on expected future repayment of borrowings in Singapore Dollar (SGD):

Buy SGD	Range of maturity period	Average exchange rate RM/SGD
SGD16,200,000	November 2020	3.1380

A fair value loss of RM303,000 in respect of these contracts has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Derivative financial instruments (Cont'd)

At 31 December 2017

Forward currency contracts not designated as hedges

Forward currency contracts not designated as hedges to manage its foreign currency risk on expected future sales receivables.

Sell USD	Range of maturity period	Average exchange rate RM/USD
USD11,600,000	From January 2018 to March 2018	4.0924

A fair value gain of RM375,000 with a deferred tax expense of RM90,000 in respect of these contracts has been recognised in profit or loss.

Forward currency contracts not designated as hedges to manage its foreign currency risk on expected future repayment of borrowings in Singapore Dollar (SGD):

Buy SGD	Range of maturity period	Average exchange rate RM/SGD
SGD16,200,000	November 2018	3.2325

A fair value loss of RM2,458,000 in respect of these contracts has been recognised in profit or loss.

30. Cash, bank balances and deposits

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash on hand and at banks	**8,316**	23,728	**3,900**	16,845
Deposits of up to three months maturity with licensed banks	**28,717**	41,215	**14,117**	38,215
	37,033	64,943	**18,017**	55,060
Deposit of more than three months maturity with licensed banks	**-**	3,735	**-**	3,735
	37,033	68,678	**18,017**	58,795

Deposits are made for varying periods of between 1 day and 1 month (2017: 3 days 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 2018 for the Group and the Company were 2.8% (2017: 2.5%) and 2.6% (2017: 2.5%) per annum, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Cash, bank balances and deposits (Cont'd)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash on hand and at banks	**8,316**	23,728	**3,900**	16,845
Deposits of up to three months maturity with licensed banks	**28,717**	41,215	**14,117**	38,215
Cash and cash equivalents	**37,033**	64,943	**18,017**	55,060

31. Non-current assets classified as held for sale

In December 2018, the Company entered into Sale and Purchase agreements to dispose of 3 units of office premises at Jalan Yap Kwan Seng, Kuala Lumpur, for a total cash consideration of RM4,795,320. The sales are expected to be completed by first half of 2019.

The assets and liabilities classified as held for sale and the related asset's revaluation reserves as at 31 December 2018 are as follows:

Group and Company	Note	RM'000
Assets:		
Property, plant and equipment	a	**4,663**
Liabilities:		
Payables		**63**
Reserves:		
Revaluation reserves		**2,012**

Note a. Property, plant and equipment
Property, plant and equipment classified as held for sale comprise the following:

	RM'000
Property, plant and equipment (Note 16)	**4,600**
Cost to sell	**63**
	4,663

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Provisions

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Mine restoration	**26,509**	28,184	**-**	-
Provision for financial guarantee	**-**	9,635	**-**	9,635
Provision for environmental waste removal	**2,400**	2,400	**-**	-
	28,909	40,219	**-**	9,635
Analysed as:				
Current	**2,744**	12,315	**-**	9,635
Non-current	**26,165**	27,904	**-**	-

Provision for mine restoration	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	**28,184**	26,728
(Reversal)/Provision during the year	**(2,670)**	434
Unwinding of discount on provision (Note 11)	**995**	1,022
At 31 December	**26,509**	28,184
Current	**344**	280
Non-current:		
Later than 1 year but not later than 2 years	**339**	279
Later than 2 years but not later than 5 years	**3,159**	553
Later than 5 years	**22,667**	27,072
	26,165	27,904
	26,509	28,184

(a) Provision for mine restoration

The Group's tin mining activity is conducted principally through its subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT"). RHT is obliged to restore and rehabilitate the mine subsequent to the cessation of production.

Mine restoration costs will be substantially incurred subsequent to the cessation of production of the mine property. The provision for mine restoration costs is based on the present value of the estimated cash outflows to be incurred to restore and rehabilitate the mine.

The Group has engaged a South Korean consultant specialising in mine rehabilitation to carry out an assessment on the mine rehabilitation plan and the mine restoration plan was resubmitted to the relevant authorities in year 2017. From January to April of 2018, various presentations on the mine restoration plan have been made by the Group to the relevant authorities. The Group received a letter dated 7 June 2018 from the authority which indicated that the plan was rejected, however no specific reason was indicated in the rejection letter. The Group was advised by the relevant authorities that the mine restoration plan will be presented again in the near future. The said presentation was made by the Group in October 2018 without any further outcome or decision by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Provisions (Cont'd)

(a) Provision for mine restoration (Cont'd)

In January 2019, the Group applied for the proposed extension of mining leases by surrendering the existing mining leases and applying for new mining leases ("said new mining leases"). A presentation on the proposed extension of the said new mining leases was made to the relevant authorities in March 2019 and it is currently pending approval. The Group will resubmit its mine restoration plan for the said new mining leases upon the approval of its application for the proposed extension of mining leases from the relevant authorities.

(b) Provision for environmental waste removal

A provision of RM2,400,000 was made in respect of the obligation of M Smelt (C) Sdn. Bhd. for removal of environmental waste from its plant.

33. Borrowings

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term borrowings				
Unsecured:				
Short term trade financing	**2,732**	-	**2,732**	-
Bankers' acceptances	**239,106**	403,617	**239,106**	403,617
Revolving credit	**2,000**	-	**2,000**	-
Term loan	**-**	49,164	**-**	-
	243,838	452,781	**243,838**	403,617
Long term borrowings				
Unsecured:				
Term loan	**49,177**	-	**-**	-
Total borrowings	**293,015**	452,781	**243,838**	403,617

Short term trade financing

Short term trade financing bears interest rate of 3.2% per annum.

Bankers' acceptances

Bankers' acceptances bear interest rates which range from 4.1% to 4.7% (2017: 3.7% to 4.4%) per annum.

Revolving credit

Revolving credit bears interest rate of 5.4% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Borrowings (Cont'd)

Term loan

The term loan is denominated in Singapore Dollar and repayable in one lump sum at maturity on 19 November 2020. The effective interest rate for the term loan is 4.2% (2017: 4.0%) per annum.

The remaining maturities of the borrowings at the reporting date are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
On demand or within one year	**243,838**	452,781	**243,838**	403,617
More than 1 year and less than 2 year	**49,177**	-	**-**	-
	293,015	452,781	**243,838**	403,617

Other information on financial risks on borrowings are disclosed in Note 39.

34. Trade and other payables

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade payables					
Third parties	a	**11,984**	34,493	**8,268**	29,796
Subsidiaries	d	**-**	-	**11,883**	25,388
		11,984	34,493	**20,151**	55,184
Other payables					
Third parties	b	**57,885**	36,734	**14,134**	14,860
Holding company	c	**74,406**	88	**74,406**	71
Subsidiaries	d	**-**	-	**51,209**	60,301
		132,291	36,822	**139,749**	75,232
Advance from customers		**4,138**	3,221	**4,138**	3,221
Accruals		**17,930**	11,431	**13,349**	7,882
GST payable		**-**	550	**-**	-
		154,359	52,024	**157,236**	86,335
Total trade and other payables		**166,343**	86,517	**177,387**	141,519
Less: GST payable		**-**	(550)	**-**	-
		166,343	85,967	**177,387**	141,519
Add: **Borrowings** (Note 33)		**293,015**	452,781	**243,838**	403,617
Total financial liabilities carried at amortised cost		**459,358**	538,748	**421,225**	545,136

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. 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 (2017: 90 days).

(b) Other payables - third parties

These are unsecured and non-interest bearing. The normal credit terms granted to the Group range from 30 to 90 days (2017: 90 days).

(c) Amount due to holding company

This is unsecured and repayable on demand and include loans totalling RM73.46 million where interest of 3.8% per annum is charged.

(d) Amounts due to subsidiaries

These are unsecured and repayable on demand and include advances amounting to RM52.00 million (2017: RM63.80 million) where interest rates ranging from 3.2% to 3.3% (2017: 3.1% to 3.2%) per annum is charged.

Further details on related party transactions are disclosed in Note 38.

Other information on financial risks of trade and other payables are disclosed in Note 39.

35. Share capital and share premium

Group	Number of ordinary shares	←	Amount	→
	Share capital (issued and fully paid) '000	Share capital (issued and fully paid) RM'000	Share premium RM'000	Total share capital and share premium RM'000
At 1 January 2018	**100,000**	**174,666**	**-**	**174,666**
Split shares	**100,000**	**-**	**-**	**-**
Issuance of ordinary shares pursuant to bonus issue	**200,000**	**25,334**	**-**	**25,334**
At 31 December 2018	**400,000**	**200,000**	**-**	**200,000**
At 1 January 2017	100,000	100,000	76,372	176,372
Transfer in accordance with Section 618(2) of the Companies Act 2016	-	74,666	(74,666)	-
Reclassification to other reserve (Note 36)	-	-	(1,706)	(1,706)
At 31 December 2017	100,000	174,666	-	174,666

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Share capital and share premium (Cont'd)

	Number of ordinary shares	← Amount →		
Company	**Share capital (issued and fully paid) '000**	**Share capital (issued and fully paid) RM'000**	**Share premium RM'000**	**Total share capital and share premium RM'000**
At 1 January 2018	**100,000**	**174,666**	**-**	**174,666**
Split shares	**100,000**	**-**	**-**	**-**
Issuance of ordinary shares pursuant to bonus issue	**200,000**	**25,334**	**-**	**25,334**
At 31 December 2018	**400,000**	**200,000**	**-**	**200,000**
At 1 January 2017	100,000	100,000	74,666	174,666
Transfer in accordance with Section 618(2) of the Companies Act 2016	-	74,666	(74,666)	-
At 31 December 2017	100,000	174,666	-	174,666

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.

During the financial year, the number of ordinary shares of the Company were increased from 100,000,000 to 400,000,000 by way of:

i. 100,000,000 ordinary shares were subdivided into 200,000,000 subdivided ordinary shares ("Split Shares"); and
ii. 200,000,000 new Split Shares ("Bonus Shares") were issued.

Bonus Issue of 200,000,000 new ordinary shares, credited as fully paid-up share capital on the basis of 1 bonus share for every 1 split share through capitalisation of the share premium (transferred to the share capital account) and retained earnings of the Company of RM74,666,000 and RM25,334,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Other reserves (non-distributable)

Group	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Other reserve RM'000	Total RM'000
At 1 January 2018	**37,186**	**1,273**	**3,486**	**-**	**1,706**	**43,651**
Other comprehensive income:						
Revaluation reserves on property, plant and equipment, net	32,902	-	-	-	-	32,902
Net fair value changes in quoted investments at FVOCI	-	-	(5,599)	-	-	(5,599)
Share of an associate's revaluation reserves on property, plant and equipment	(102)	-	-	-	-	(102)
Foreign currency translation	-	(1)	-	-	-	(1)
Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate	-	(825)	-	-	-	(825)
Share of foreign currency translation of an associate and a joint venture	-	568	-	-	-	568
	32,800	(258)	(5,599)	-	-	26,943
Transfer of revaluation reserves to retained earnings	(62,405)	-	-	-	-	(62,405)
Reserves of non-current assets classified as held for sale (Note 31)	(2,012)	-	-	-	-	(2,012)
At 31 December 2018	**5,569**	**1,015**	**(2,113)**	**-**	**1,706**	**6,177**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Other reserves (non-distributable) (Cont'd)

Group	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Other reserve RM'000	Total RM'000
At 1 January 2017	31,726	3,206	5,171	(1,720)	-	38,383
Reclassification from share premium account (Note 35)	-	-	-	-	1,706	1,706
Other comprehensive income:						
Revaluation reserves on property, plant and equipment, net	5,305	-	-	-	-	5,305
Net fair value changes in quoted investments at FVOCI	-	-	(1,685)	-	-	(1,685)
Share of an associate's revaluation surplus on property, plant and equipment	155	-	-	-	-	155
Foreign currency translation	-	1	-	-	-	1
Net fair value changes on cash flow hedges	-	-	-	1,720	-	1,720
Share of foreign currency translation of an associate and a joint venture	-	(1,934)	-	-	-	(1,934)
	5,460	(1,933)	(1,685)	1,720	-	3,562
At 31 December 2017	37,186	1,273	3,486	-	1,706	43,651

Company	Revaluation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Total RM'000
At 1 January 2018	**8,476**	**3,486**	**-**	**11,962**
Other comprehensive income:				
Revaluation reserves on property, plant and equipment, net	**(1,865)**	**-**	**-**	**(1,865)**
Net fair value changes in quoted investments at FVOCI	**-**	**(5,599)**	**-**	**(5,599)**
	(1,865)	**(5,599)**	**-**	**(7,464)**
Transfer of revaluation reserves to retained earnings	**(3,279)**	**-**	**-**	**(3,279)**
Reserves of non-current assets classified as held for sale (Note 31)	**(2,012)**	**-**	**-**	**(2,012)**
At 31 December 2018	**1,320**	**(2,113)**	**-**	**(793)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Other reserves (non-distributable) (Cont'd)

Company	Revaluation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Total RM'000
At 1 January 2017	8,168	5,171	(1,720)	11,619
Other comprehensive income:				
Revaluation reserves on property, plant and equipment, net	308	-	-	308
Net fair value changes in quoted investments at FVOCI	-	(1,685)	-	(1,685)
Net fair value changes on cash flow hedges	-	-	1,720	1,720
	308	(1,685)	1,720	343
At 31 December 2017	8,476	3,486	-	11,962

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.

The account records the cumulative fair value changes of investment securities until they are derecognised or impaired.

(c) Fair value through other comprehensive income ("FVOCI") reserves

The account records the cumulative fair value changes of investment securities until they are derecognised.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Commitments and contingency

Capital commitments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure:				
Approved and contracted for:				
- Property, plant and equipment	**16,394**	18,438	**16,359**	34
Approved but not contracted for:				
- Property, plant and equipment	**459**	6,420	**391**	-
- Deferred mine exploration and evaluation expenditures	**80**	-	**-**	-
	539	6,420	**391**	-

Operating lease arrangements - The Group and the Company as lessee of properties

The Company has entered into operating lease arrangements for the use of properties. These operating leases have remaining non-cancellable lease terms of up to 2 years and have renewal options.

The future aggregate minimum lease payments under operating lease contracted for as at the financial year end but not recognised as liabilities are as follows:

	Group and Company	
	2018 RM'000	2017 RM'000
Not later than one year	**192**	36
Later than one year but not later than two years	**156**	36
	348	72

Legal claim

A subsidiary is defending a legal action brought by two companies. The subsidiary, via its lawyer, filed a Defence and Counter Claim Statement on the legal suit and the subsidiary has strong grounds to defend the action based on legal advice. The trial commenced in fourth quarter 2018 and is scheduled to continue in second quarter 2019.

In connection with the abovementioned case, the subsidiary has separately instituted legal action against a former executive officer, the above two companies, and certain persons connected with the two companies, claiming for damages for breach of fiduciary duties, conspiracy, dishonest assistance. The matter is currently fixed for case management.

In the Directors' opinion, disclosure of additional information about the above matter would be prejudicial to the interests of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. 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.

	Note	2018 RM'000	2017 RM'000
Group			
Associates:			
- Sales of products	(i)	**43,459**	61,718
- Interest income	(ii)	**178**	168
Immediate holding company:			
- Loans received	(iii)	**73,461**	-
- Interest expense		**843**	-
Director:			
- Legal fee charges	(iv)	**31**	-
Key management personnel:			
- Professional fee charges	(v)	**-**	1,911
- Proceeds from disposal of motor vehicle	(vi)	**-**	242
Company			
Subsidiaries:			
- Purchase of buildings, plant and machinery		**31,876**	-
- Purchases of products	(vii)	**183,546**	183,518
- Interest income	(ii)	**1,575**	927
- Management fee income		**1,800**	1,800
- Advances given	(viii)	**23,405**	10,291
- Advances received	(iii)	**50,500**	56,000
- Rental paid		**1,796**	1,796
- Interest expense		**3,037**	2,018
Associates:			
- Sales of products	(i)	**43,459**	61,718
- Interest income	(ii)	**178**	168
Immediate holding company:			
- Loans received	(iii)	**73,461**	-
- Interest expense		**843**	-
Director:			
- Legal fee charges	(iv)	**31**	-
Key management personnel:			
- Proceeds from disposal of motor vehicle	(vi)	**-**	242

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. Related party disclosures (Cont'd)

(a) Related party transactions (Cont'd)

(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 Redring Solder (M) Sdn. Bhd., M Smelt (C) Sdn. Bhd. and MSC Properties Sdn. Bhd. Further details are disclosed in Notes 26 and 27 respectively.

(iii) Loans/Advances received from immediate holding company and a subsidiary are subject to interest as disclosed in Notes 34(c) and 34(d) respectively.

(iv) Legal fee was raised by a law firm where a director of the Company and a director of the subsidiary are partners of the law firm.

(v) Professional fee was charged by a firm related to a former key management personnel of the Group.

(vi) Proceeds from disposal of motor vehicles to two former key management personnel of the Company.

(vii) The purchases of products from a subsidiary has been made according to the market prices. Amount due to a subsidiary on trade transactions are repayable on demand.

(viii) Advances given to certain subsidiaries are subject to interest as disclosed in Note 27(ii).

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 and 2018 are disclosed in Notes 26, 27, and 34.

(b) Compensation of key management personnel

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term employee benefits	**4,370**	4,582	**3,634**	4,224
Post-employment benefits:				
- Defined contribution plan	**501**	533	**394**	497
	4,871	5,115	**4,028**	4,721

Included in the total compensation of key management personnel was:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' fees (Note 8)	**470**	538	**470**	538

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. 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 and the Company had placed 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 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 2018		
- Malaysian Ringgit	**+25**	**(407)**
	-25	**407**
- United States Dollar	**+25**	**(2)**
	-25	**2**
At 31 December 2017		
- Malaysian Ringgit	+25	(699)
	-25	699
- United States Dollar	+25	17
	-25	(17)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. 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 business transactions and foreign currency term loan. The Group has foreign exchange risk exposure mainly in United States Dollar and Singapore Dollar.

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) 95% (2017: 55%) of the Group's trade and other receivables (excluding GST recoverable) as well as 7% (2017: 36%) of the Group's trade and other payables (excluding GST payable) are denominated in foreign currencies, mainly in United States Dollar.

(ii) 8% (2017: 32%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar.

(iii) 18% (2017: 11%) of the Group's borrowings are denominated in Singapore Dollar and United States Dollar.

At 31 December 2018, the Group held forward currency contracts to manage its foreign currency risk on expected future sales receivables and purchases payables in United States Dollar for actual and highly probable forecasted transactions.

Forward currency contracts not designated as hedges

A net gain of RM258,000 (2017: a net loss of RM2,083,000) with a deferred tax expense of RM135,000 (2017: RM90,000) in respect of the forward currency contracts were recognised in profit or loss (see Note 29).

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar ("USD") 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:

		2018		2017	
		(Decrease)/ Increase in profit net of tax RM'000	(Decrease)/ Increase in equity RM'000	Increase/ (Decrease) in profit net of tax RM'000	Increase/ (Decrease) in equity RM'000
USD/RM	strengthened by 5%	**(2,465)**	(2,465)	**1,101**	1,101
	weakened by 5%	**2,465**	2,465	**(1,101)**	(1,101)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. 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 2018					
Financial assets:					
Non-derivative					
Trade receivables	26	**21,325**	-	-	**21,325**
Other receivables	27	**660**	-	-	**660**
Cash, bank balances and deposits	30	**37,033**	-	-	**37,033**
Derivative					
Forward currency contracts	29	**561**	-	-	**561**
Total undiscounted financial assets		**59,579**	-	-	**59,579**

39. 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 2018					
Financial liabilities:					
Non-derivative					
Borrowings	33	**243,838**	**49,177**	**-**	**293,015**
Interest payable on borrowings		**2,355**	**1,845**	**-**	**4,200**
Interest payable on loan from immediate holding company		**1,051**	**-**	**-**	**1,051**
Trade and other payables	34	**166,343**	**-**	**-**	**166,343**
Derivative					
Forward currency contracts	29	**-**	**303**	**-**	**303**
Total undiscounted financial liabilities		**413,587**	**51,325**	**-**	**464,912**
Total net undiscounted financial liabilities		**(354,008)**	**(51,325)**	**-**	**(405,333)**
At 31 December 2017					
Financial assets:					
Non-derivative					
Trade receivables	26	11,436	-	-	11,436
Other receivables	27	914	-	-	914
Cash, bank balances and deposits	30	68,678	-	-	68,678
Derivative					
Forward currency contracts	29	375	-	-	375
Total undiscounted financial assets		81,403	-	-	81,403

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. 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 2017					
Financial liabilities:					
Non-derivative					
Borrowings	33	452,781	-	-	452,781
Interest payable on borrowings		1,928	-	-	1,928
Trade and other payables	34	85,967	-	-	85,967
Derivative					
Forward currency contracts	29	2,458	-	-	2,458
Total undiscounted financial liabilities		543,134	-	-	543,134
Total net undiscounted financial liabilities		(461,731)	-	-	(461,731)

Company	Note	Within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2018					
Financial assets:					
Non-derivative					
Trade receivables	26	**21,324**	**-**	**-**	**21,324**
Other receivables	27	**21,403**	**-**	**-**	**21,403**
Cash, bank balances and deposits	30	**18,017**	**-**	**-**	**18,017**
Derivative					
Forward currency contracts	29	**561**	**-**	**-**	**561**
Total undiscounted financial assets		**61,305**	**-**	**-**	**61,305**
Financial liabilities:					
Non-derivative					
Borrowings	33	**243,838**	**-**	**-**	**243,838**
Interest payable on advances from a subsidiary		**1,663**	**-**	**-**	**1,663**
Interest payable on borrowings		**290**	**-**	**-**	**290**
Interest payable on loan from immediate holding company		**1,051**	**-**	**-**	**1,051**
Trade and other payables	34	**177,387**	**-**	**-**	**177,387**
Total undiscounted financial liabilities		**424,229**	**-**	**-**	**424,229**
Total net undiscounted financial liabilities		**(362,924)**	**-**	**-**	**(362,924)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. 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 2017					
Financial assets:					
Non-derivative					
Trade receivables	26	11,435	-	-	11,435
Other receivables	27	18,881	-	-	18,881
Cash, bank balances and deposits	30	58,795	-	-	58,795
Derivative					
Forward currency contracts	29	375	-	-	375
Total undiscounted financial assets		89,486	-	-	89,486
Financial liabilities:					
Non-derivative					
Borrowings	33	403,617	-	-	403,617
Interest payable on advances from a subsidiary		1,981	-	-	1,981
Interest payable on borrowings		198	-	-	198
Trade and other payables	34	141,519	-	-	141,519
Total undiscounted financial liabilities		547,315	-	-	547,315
Total net undiscounted financial liabilities		(457,829)	-	-	(457,829)

(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 minimised 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.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company determine the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days (2017: 90 days) when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Financial risk management objectives and policies (Cont'd)

(d) Credit risk (Cont'd)

To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group and the Company consider available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group and the Company determined that its financial assets are credit-impaired when:

- There is significant financial difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to meet a repayment plan with the Group and the Company. Where loans and receivables have been written off, the Group and the Company continue to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade and other receivables:

- The Group and the Company provide for 12-month expected credit losses for all trade and other receivables (excluding GST recoverable). The 12-month expected credit losses have taken into consideration historical loss rate statistics for debts with similar credit profile and the country risk of the debtors.
- For receivables which are lower risk, the probability of default ("PD") is minimal.
- For receivables which are higher risk, the PD rates ranging from 2.5% to 50% is applied if a receivable is more than 90 days to 360 days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Financial risk management objectives and policies (Cont'd)

(d) Credit risk (Cont'd)

During the financial year, the Group and the Company did not make any write-offs of trade and other receivables. The Group and the Company do not expect to receive future cash flows from and no recoveries from collection of cash flows previously written off.

Exposure to credit risk

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.

The Group has a concentration of credit risk that may arise from exposure to a single debtor which constitutes approximately 42.7% (2017: 39.9%) of its trade 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 GST recoverable) at the reporting date were as follows:

	2018		2017	
Group	**RM'000**	**% of total**	**RM'000**	**% of total**
By country:				
Germany	**9,109**	**41**	2,453	20
Japan	**6,543**	**30**	-	-
Korea	**3,356**	**15**	-	-
Malaysia	**1,197**	**6**	5,526	45
Switzerland	**630**	**3**	910	7
Taiwan and China, including Hong Kong	**460**	**2**	1,280	10
Belgium	**293**	**1**	264	2
Countries in Africa	**121**	**1**	80	1
United Kingdom	**74**	**-**	1,443	12
Others	**202**	**1**	394	3
	21,985	**100**	12,350	100
Company				
By country:				
Malaysia	**21,939**	**51**	23,492	77
Germany	**9,109**	**21**	2,453	8
Japan	**6,543**	**15**	-	-
Korea	**3,356**	**8**	-	-
Switzerland	**630**	**2**	910	3
Taiwan and China, including Hong Kong	**460**	**1**	1,280	4
Belgium	**293**	**1**	264	1
Countries in Africa	**121**	**-**	80	-
United Kingdom	**74**	**-**	1,443	5
Others	**202**	**1**	394	2
	42,727	**100**	30,316	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. 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 receivables that are neither past due nor impaired is disclosed in Note 26. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and have 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 Notes 26 and 27.

(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. At the reporting date, there was no such contract outstanding.

(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 financial assets at FVOCI.

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 equity at the reporting date:

		2018 Increase/ (Decrease) in equity RM'000	2017 Increase/ (Decrease) in equity RM'000
Share price	increased by 5%	**725**	806
	decreased by 5%	**(725)**	(806)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Financial risk management objectives and policies (Cont'd)

(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.

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.

	2018 RM'000	2017 RM'000
Share capital	**200,000**	174,666
Other reserves	**6,177**	43,651
Retained earnings	**139,807**	72,439
Reserves of non-current assets classified as held for sale (Note 31)	**2,012**	-
Total shareholders' equity	**347,996**	290,756
Non-controlling interests	**290**	293
Total equity	**348,286**	291,049
Bank borrowings (Note 33)	**293,015**	452,781
Loan from immediate holding company (Note 34(c))	**73,461**	-
Total borrowings	**366,476**	452,781
Gearing ratio (total borrowings over total equity)	**1.1**	1.6
Gearing ratio (bank borrowings over total equity)	**0.8**	1.6

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

40. 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:

	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
Group					
At 31 December 2018					
Assets measured at fair value:					
Investment securities (Note 22)					
- Equity instruments (quoted)	**31.12.2018**	**14,505**	**-**	**-**	**14,505**
Revalued freehold land and buildings (Note 16)					
- Land and buildings in Pulau Indah Industrial Park	**31.12.2018**	**-**	**-**	**40,471**	**40,471**
- 80 units flats in Bukit Mertajam	**31.12.2018**	**-**	**-**	**4,496**	**4,496**
- Land and buildings in Daerah Hulu Perak	**31.12.2018**	**-**	**-**	**2,572**	**2,572**
Derivative financial assets (Note 29)					
- Forward currency contracts	**31.12.2018**	**-**	**561**	**-**	**561**
		14,505	**561**	**47,539**	**62,605**
Liabilities measured at fair value:					
Derivative financial liabilities (Note 29)					
- Forward currency contracts	**31.12.2018**	**-**	**303**	**-**	**303**

40. Fair value of assets and liabilities (Cont'd)

(a) Fair value of assets and liabilities that are carried at fair value (Cont'd)

	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
Group					
At 31 December 2017					
Assets measured at fair value:					
Investment securities (Note 22)					
- Equity instruments (quoted)	31.12.2017	21,205	-	-	21,205
Revalued freehold land and buildings (Note 16)					
- Land and tin smelting industrial complex in Butterworth	31.12.2017	-	-	40,998	40,998
- Land and buildings in Pulau Indah Industrial Park	31.12.2017	-	-	34,770	34,770
- Office lots in Kuala Lumpur	31.12.2017	-	-	6,750	6,750
- 80 units flats in Bukit Mertajam	31.12.2017	-	-	4,496	4,496
- Land and buildings in Daerah Hulu Perak	31.12.2017	-	-	2,514	2,514
Derivative financial assets (Note 29)					
- Forward currency contracts	31.12.2017	-	375	-	375
		21,205	375	89,528	111,108
Liabilities measured at fair value:					
Derivative financial liabilities (Note 29)					
- Forward currency contracts	31.12.2017	-	2,458	-	2,458

<u>Fair value hierarchy</u>

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)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

40. Fair value of assets and liabilities (Cont'd)

(a) Fair value of assets and liabilities that are carried at fair value (Cont'd)

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 RM'000	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Group					
At 31 December 2018					
Revalued land and buildings (Note 16)	**47,539**	Market comparable approach/ Depreciated replacement cost	Difference in location, size, scheme and feature	-15.0% to 25.0%	Every 1% increase or (decrease) in the adjustments would result in (decrease) or increase in fair value by RM355,000.
At 31 December 2017					
Revalued land and buildings (Note 16)	89,528	Market comparable approach/ Depreciated replacement cost	Difference in location, time factor and size	-25.0% to 30.0%	Every 1% increase or (decrease) in the adjustments would result in increase or (decrease) in fair value by RM27,000.

40. 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 RM'000	Leasehold land RM'000	Buildings RM'000
At 1 January 2018	**36,669**	**24,670**	**28,189**
Additions	**7,461**	**-**	**-**
Transferred from capital work-in-progress	**-**	**-**	**3,158**
Revaluation surplus/(deficit)	**34,602**	**2,938**	**(4,042)**
Reclassified from prepaid land lease payments	**228**	**-**	**-**
Reclassified to land held for development	**(78,654)**	**-**	**-**
Reclassified to non-current assets classified as held for sale	**-**	**-**	**(4,600)**
Depreciation charge for the year	**-**	**(308)**	**(2,772)**
At 31 December 2018	**306**	**27,300**	**19,933**
At 1 January 2017	30,095	24,619	29,041
Additions	-	-	2,491
Revaluation surplus/(deficit)	6,574	360	(1,546)
Depreciation charge for the year	-	(309)	(1,797)
At 31 December 2017	36,669	24,670	28,189

There has been no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial assets/liabilities that may subsequently result in a different classification of those assets/liabilities during the financial year ended 31 December 2018, except for the freehold land and buildings located at Butterworth and 3 units of office premises at Jalan Yap Kwan Seng, Kuala Lumpur have been reclassified to land held for development and non-current assets classified as held for sale respectively as mentioned in Notes 18 and 31, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

40. 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 receivables (current)	26
Other receivables (current)	27
Other receivables (non-current)	27
Borrowings (current)	33
Borrowings (non-current)	33
Trade and other payables (current)	34

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.

41. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

41. Segmental information (Cont'd)

Business segments (Cont'd)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

2018	Note	Tin smelting RM'000	Tin mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue						
Sales to external customers		1,280,906	-	-	-	1,280,906
Inter-segment sales		-	183,546	-	(183,546)	-
Total revenue		1,280,906	183,546	-	(183,546)	1,280,906
Results						
Profit/(Loss) from operations		26,738	39,131	(34)	(923)	64,912
Reversal of impairment losses/(Impairment losses)		2,906	-	(185)	-	2,721
Finance costs		(16,501)	(995)	(662)	-	(18,158)
Share of results of associates and joint ventures		-	-	304	-	304
Profit/(Loss) before tax		13,143	38,136	(577)	(923)	49,779
Income tax (expense)/credit		(2,902)	(12,805)	-	222	(15,485)
Profit/(Loss) net of tax		10,241	25,331	(577)	(701)	34,294
Assets						
Segment assets		723,612	73,164	14,517	(3,578)	807,715
Investments in associates and joint ventures		-	-	35,144	-	35,144
Total assets		723,612	73,164	49,661	(3,578)	842,859
Liabilities						
Segment liabilities		416,361	78,154	58	-	494,573
Other segment information						
Additions of non-current assets						
- Property, plant and equipment	16	15,901	2,085	4	-	17,990
- Other non-current assets	23	-	642	-	-	642
Depreciation	8	9,094	6,330	2	-	15,426
Amortisation of prepaid land lease payments	8	21	6	-	-	27
Amortisation of mining rights	8	-	920	-	-	920
Amortisation of corporate club membership	8	3	5	-	-	8
Amortisation of mine properties	8	-	1,046	-	-	1,046
Interest income	6	935	88	-	-	1,023

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

41. Segmental information (Cont'd)

Business segments (Cont'd)

2017	Note	Tin smelting RM'000	Tin mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue						
Sales to external customers		1,436,177	-	-	-	1,436,177
Inter-segment sales		-	183,518	-	(183,518)	-
Total revenue		1,436,177	183,518	-	(183,518)	1,436,177
Results						
(Loss)/Profit from operations		(6,407)	47,725	(89)	2,704	43,933
Reversal of impairment losses		-	-	129	-	129
Finance costs		(13,057)	(1,022)	(639)	-	(14,718)
Share of results of associates and joint ventures		-	-	(1,109)	-	(1,109)
(Loss)/Profit before tax		(19,464)	46,703	(1,708)	2,704	28,235
Income tax credit/(expense)		655	(12,137)	-	(649)	(12,131)
(Loss)/Profit net of tax		(18,809)	34,566	(1,708)	2,055	16,104
Assets						
Segment assets		751,967	69,548	21,212	(2,877)	839,850
Investments in associates and joint ventures		-	-	34,568	-	34,568
Total assets		751,967	69,548	55,780	(2,877)	874,418
Liabilities						
Segment liabilities		526,030	57,296	43	-	583,369
Other segment information						
Additions of non-current assets						
- Property, plant and equipment	16	9,020	1,314	-	-	10,334
- Intangible and other non-current assets	19/23	-	426	65	-	491
Depreciation	8	6,795	6,247	-	-	13,042
Amortisation of prepaid land lease payments	8	27	6	-	-	33
Amortisation of mining rights	8	-	886	-	-	886
Amortisation of corporate club membership	8	3	5	24	-	32
Amortisation of mine properties	8	-	1,006	-	-	1,006
Interest income	6	(1,493)	(166)	-	-	(1,659)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

41. 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 statements of profit or loss:

	Group	
	2018 RM'000	**2017 RM'000**
(Unrealised profit)/Realised profit fom inter-segment sales	**(923)**	2,704

The following items were deducted from segment assets to arrive at total assets as disclosed in the consolidated statement of financial position:

	Group	
	2018 RM'000	**2017 RM'000**
Unrealised profit arising from inter-segment sales	**(3,578)**	(2,877)

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 RM226,462,000 and RM149,219,000 (2017: two major customers amounted to RM294,326,000 and RM155,496,000), arising from sales by the tin smelting segment.

42. Significant event

The proposed share split and bonus issue announced by the Company on 23 April 2018 was approved by the shareholders at the Extraordinary General Meeting held on 30 May 2018. Subsequently, the number of ordinary shares of the Company on 15 August 2018 was increased from 100,000,000 to 400,000,000 by way of a share split of 100,000,000 new ordinary shares and a bonus issue of 200,000,000 new ordinary shares. Bonus Issue of 200,000,000 new ordinary shares, credited as fully paid-up share capital on the basis of 1 bonus share for every 1 split share through capitalisation of the share premium (transferred to the share capital account) and retained earnings of the Company of RM74,666,000 and RM25,334,000 respectively.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 26 March 2019.

LIST OF PROPERTIES OF THE GROUP
31 DECEMBER 2018

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net carrying amount at 31.12.18 RM'000	Date of last revaluation
MALAYSIA							
1. Lot 6, 8 & 9 Jalan Perigi Nanas 6/1 Pulau Indah Industrial Park, West Port 42920 Port Klang Selangor	Land with offices and factory buildings	48,725 sq. m	Leasehold	2097	17 years	40,471	31.12.2018
2. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	-	18 years	4,496	31.12.2018
3. Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	-	over 50 years	336	31.12.2018
(b) Lot 2071, 55502, 55503 & 55504, PT 3934, 4338, 4522 & 4523	Land with buildings	7.02 hectares	Leasehold	2068 - 2112	37 to over 50 years	1,476	31.12.2018
(c) PT 1705, 1706 & 1707	3 units of terrace houses	417 sq. m	Leasehold	2108	8 years	525	31.12.2018
(d) Lot 55671 and 55675 (formerly PT 5022 and PT 5026)	2 units of semi-detached houses	526 sq. m	Freehold	-	5 years	600	31.12.2018
4. Mukim Belukar Semang Daerah Hulu Perak							
(a) Lot 1886	Vacant land	0.4 hectares	Freehold	-	-	23	31.12.2018
(b) PT 725, 726, 727	Land with buildings	7.01 hectares	Leasehold	2022	-	4	31.12.2018
5. PT 686, Seksyen 4, Bandar Butterworth, Daerah Seberang Perai Utara, Pulau Pinang	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2069	-	93	30.09.2018
6. Plot 1, 2, 3, 4 Seksyen 4, Bandar Butterworth, Daerah Seberang Perai Utara, Pulau Pinang (Note*)	For future development	557,022 sq.ft.	Freehold	-	-	78,654	30.09.2018

Note*

The State authority has approved the subsidiary, MSC Properties Sdn. Bhd.'s application to surrender and realienate the existing Lot Nos. 142 to 187, 268 and 362 to 7 (seven) new parcels identified as Plot 1 to Plot 7. Plot 1 to Plot 4 will each be issued with a new title whilst Plots 5 to 7 will have to be surrendered to the government. As at the reporting date, the individual titles for Plot 1 to Plot 4 are yet to be issued. Further details are in Note 18 to the Financial Statements.

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2019

No. of Issued Shares	: 400,000,000 Ordinary Shares
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
less than 100	14	0.36	286	0.00
100 to 1,000	604	15.70	435,436	0.11
1,001 to 10,000	1,698	44.13	8,541,682	2.14
10,001 to 100,000	1,245	32.35	40,567,960	10.14
100,001 to less than 5% of issued shares	284	7.38	147,011,436	36.75
5% and above of issued shares	3	0.08	203,443,200	50.86
TOTAL	**3,848**	**100.00**	**400,000,000**	**100.00**

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Deemed Interest	
Directors	No. of Shares Held	%	No. of Shares Held	%
Ms. Chew Gek Khim	1,600,000	0.40	-	-
Mr. Chia Chee Ming, Timothy	-	-	-	-
Dato' Robert Teo Keng Tuan	139,000	0.03	397,000	0.10
Mr. John Mathew A/L Mathai	-	-	-	-
Datuk Kamaruddin Bin Taib	-	-	-	-
Dato' Dr Ir Yong Mian Thong	278,000	0.07	-	-

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 29 MARCH 2019

THE 30 LARGEST SHAREHOLDERS

	Shareholders	No. of Shares Held	%
1.	The Straits Trading Company Limited	112,360,000	28.09
2.	Straits Trading Amalgamated Resources Sdn. Bhd.	69,498,000	17.37
3.	Sword Investments Private Limited	21,585,200	5.40
4.	Baxterley Holdings Private Limited	14,800,000	3.70
5.	Leong Kok Tai	5,451,000	1.36
6.	Cartaban Nominees (Tempatan) Sdn. Bhd. for Icapital.biz Berhad	5,180,400	1.30
7.	Neoh Choo Ee & Company Sdn. Berhad	4,600,000	1.15
8.	Lim Khoon	3,999,200	1.00
9.	Quarry Lane Sdn. Bhd.	3,440,000	0.86
10.	Lee Pin	3,316,000	0.83
11.	Lim Kian Siong	2,732,400	0.68
12.	Au Yong Mun Yue	2,310,000	0.58
13.	Y K Toh Property Sdn. Bhd.	2,272,000	0.57
14.	Tan Lee Hwa	2,122,000	0.53
15.	Dynaquest Sdn. Bhd.	2,012,000	0.50
16.	Public Nominees (Tempatan) Sdn. Bhd. for Ng Faai @ Ng Yoke Pei	1,700,000	0.43
17.	Chua Ah Moi @ Chua Sai Peng	1,672,000	0.42
18.	Kuek Siaw Kia @ Quek Shiew Poh	1,670,000	0.42
19.	Lim Kian Siong	1,652,000	0.41
20.	Toh Yew Keong	1,640,000	0.41
21.	2g Capital Pte. Ltd.	1,600,000	0.40
22.	Chew Gek Khim	1,600,000	0.40
23.	Phillip Securities Pte. Ltd.	1,562,400	0.39
24.	Affin Hwang Nominees (Asing) Sdn. Bhd. Exempt an for DBS Vickers Securities (Singapore) Pte. Ltd.	1,507,600	0.38
25.	Au Yong Mun Yue	1,500,000	0.38
26.	Ng Poh Cheng	1,398,500	0.35
27.	Synergy Motion Sdn. Bhd.	1,300,000	0.33
28.	CIMSEC Nominees (Tempatan) Sdn. Bhd. Exempt an for CGS-CIMB Securities (Singapore) Pte. Ltd.	1,268,000	0.32
29.	Kenanga Nominees (Tempatan) Sdn. Bhd. for Wong Seng Chan	1,259,900	0.31
30.	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,226,136	0.31

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 29 MARCH 2019

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Substantial Shareholders	No. of Shares Held	%	No. of Shares Held	%
The Straits Trading Company Limited	112,360,000	28.09	107,023,200*[1]	26.76
Straits Trading Amalgamated Resources Sdn. Bhd.	69,498,000	17.37	-	-
Sword Investments Private Limited	21,585,200	5.40	-	-
Tan Chin Tuan Pte. Ltd.	-	-	219,383,200*[2]	54.85
The Cairns Pte. Ltd.	-	-	219,383,200*[2]	54.85
Tecity Pte. Ltd.	-	-	219,383,200*[2]	54.85
Raffles Investments Pte. Ltd.	-	-	219,383,200*[2]	54.85
Aequitas Pte. Ltd.	-	-	219,383,200*[2]	54.85
Dr. Tan Kheng Lian	-	-	219,383,200*[2]	54.85

Notes : -

*1 *Held through Straits Trading Amalgamated Resources Sdn. Bhd., Sword Investments Private Limited, Baxterley Holdings Private Limited and Redring Solder (Malaysia) Sdn. Bhd.*

*2 *Tan Chin Tuan Pte. Ltd., The Cairns Pte. Ltd., Tecity Pte. Ltd., Raffles Investments Pte. Ltd. and Aequitas Pte. Ltd. hold not less than 20% of the voting shares in The Straits Trading Company Limited. Tan Chin Tuan Pte. Ltd. is the ultimate holding company for The Straits Trading Company Limited*

*3 *Dr. Tan Kheng Lian holds not less than 20% of the voting shares in Tan Chin Tuan Pte. Ltd.*

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PROXY FORM

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

No. of ordinary shares held	CDS account no. of holder

I/We, ______________________________ (name of shareholder as per NRIC/Passport, in capital letters), IC No./ Passport No./Company No. ______________________ of ______________________ ______________________ (full address) being a member of MALAYSIA SMELTING CORPORTION BERHAD (43072-A) hereby appoint *Mr/Ms ______________________ (NRIC/Passport No. ______________________) of ______________________ or failing whom *Mr/Ms ______________________ (NRIC/Passport No. ______________________) of ______________________

or failing *him/*them, the Chairman of the Meeting as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Fortieth Annual General Meeting ("AGM") of the Company to be held at Gateway A, Level 1, Sama-Sama Hotel, KL International Airport, Jalan CTA 4B, 64000 KLIA, Sepang, Selangor Darul Ehsan, Malaysia on Friday, 24 May 2019 at 11.00 a.m. and at any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below.

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of a First and Final Single-Tier Dividend of 2 sen per share in respect of the financial year ended 31 December 2018.		
2.	To approve the Directors' Fees and Benefits of up to RM470,000.00 for the financial year ended 31 December 2018.		
3.	To approve the payment of Directors' Benefits of up to RM198,000.00 from 1 January 2019 until the next AGM of the Company.		
4.	Re-election of Mr. Chia Chee Ming, Timothy as Director.		
5.	Re-election of Dato' Dr. Ir. Yong Mian Thong as Director.		
6.	Re-election of Dato' Kamaruddin Bin Taib as Director.		
7.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.		
8.	Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
9.	Proposed Alteration or Amendment of the Constitution of the Company.		

(Please indicate with an "X" in the appropriate box against the resolutions on how you wish your proxy to vote. The proxy is to vote on the resolutions set out in the Notice of Meeting as you have indicated. If no specific instruction as to voting is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this ________ day of ______________________ , 2019

____
Signature/Common Seal of Shareholder

For appointment of two proxies, the percentage of shareholdings to be represented by the proxies is as follows:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
		100%

NOTES TO THE NOTICE OF AGM:

1. In respect of deposited securities, only members/shareholders whose names appear on the Record of Depositors on 17 May 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
2. A member entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there is no restriction as to the qualification of a proxy.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Registered Office of the Company at Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or Adjourned AGM.
6. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
7. Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote on poll.

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AFFIX
STAMP

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)
Lot 6, 8 & 9, Jalan Perigi Nanas 6/1
Pulau Indah Industrial Park
West Port, Port Klang
42920 Pulau Indah
Selangor
Malaysia

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Registered Office

Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park
West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia
Tel: (603) 3102 3083 • Fax: (603) 3102 3080

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