

MALAYSIA SMELTING CORPORATION BERHAD (“MSC”)
(Company No. 43072-A)

MINUTES OF THE THIRTY-EIGHTH ANNUAL GENERAL MEETING OF THE
COMPANY HELD AT MERBAH ROOM, LG LEVEL, MAIN WING, HOTEL
EQUATORIAL PENANG, 1 JALAN BUKIT JAMBUL, BAYAN LEPAS, 11900
PENANG, MALAYSIA ON WEDNESDAY 17 MAY 2017 AT 11.00 A.M.

PRESENT:

DIRECTORS

Ms. Chew Gek Khim (Chairman) - Also a shareholder and proxy holder for
shareholders as per Attendance List attached

Mr. Timothy Chia Chee Ming
Dato’ Ng Jui Sia
Mr. Yap Chee Keong

ABSENT WITH APOLOGIES

Mr. Peter Ho Kok Wai
Mr. John Mathew A/L Mathai

IN ATTENDANCE

Ms. Tan Ai Ning - Company Secretary

BY INVITATION

Dato’ Dr. Yong Mian Thong - Group Chief Executive Officer
Mr. Yap Fook Ping - Group Chief Financial Officer
Ms. Lee Ai Chung - Representing Messrs Ernst & Young
Ms. Lau Whoay Ling - Representing Messrs Ernst & Young
Mr. Koay Jie Hong - Representing Messrs Ernst & Young
Ms. Ong Hooi Ling - Representing Messrs Ernst & Young

Shareholders

As per the Attendance List attached.

Proxies

As per the Attendance List attached.

The list of shareholders, proxies and invitees who attended the Meeting are set out in the Attendance List attached and shall form an integral part of these Minutes.

1. CHAIRMAN

Ms. Chew Gek Khim being the Chairman of the Board of Directors presided as Chairman of the Meeting and welcomed all shareholders, proxies and invitees to the Thirty-Eighth Annual General Meeting of the Company.

2. QUORUM

The Secretary confirmed that a quorum was present pursuant to Article 61 of the Company's Constitution. With the requisite quorum being present, the Meeting was called to order at 11.00 a.m.

The Chairman introduced the Board of Directors, the Group Chief Executive Officer, Group Chief Financial Officer, the Company Secretary and Auditors to the shareholders. She also conveyed the apologies from Mr. Peter Ho Kok Wai and Mr. John Mathew A/L Mathai, both Independent Non-Executive Directors of the Company, who were unable to attend the Meeting.

3. NOTICE

The Notice convening the Meeting, having been circulated in the prescribed period, was with the consent of the members present, taken as read. The Chairman then proceeded with the business of the Annual General Meeting ("AGM").

As part of good governance, the Chairman informed the members that the Company had received in total thirteen (13) proxy forms from shareholders for a total of 56,521,200 ordinary shares representing 56.52% of the share capital of the Company.

Out of those, there were five (5) shareholders who have appointed the Chairman of the Meeting as proxy to vote on their behalf and the shares so represented are 54,561,800, representing 54.06% of the share capital of the Company.

4. POLLING

The Chairman informed the Meeting that pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, effective 1 July 2016, all resolutions set out in the Notice of the AGM must be voted by way of poll.

The Chairman further informed that the polling process would be conducted after the deliberation of all items on the Agenda. To facilitate the poll process, the Company has appointed Symphony Share Registrars Sdn Bhd, the Company's Share Registrar as Poll Administrator to conduct the electronic process and Symphony Corporatehouse Sdn Bhd as the Scrutineer to verify the poll results.

5. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 AND THE DIRECTORS' AND AUDITORS' REPORTS THEREON

The Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon were tabled for discussion.

The Chairman then informed that Minority Shareholder Watchdog Group ("MSWG") had written to the Company seeking clarification on several points in relation to the Strategy and Financial matters and Corporate Governance matters. The Company Secretary then read out the questions received from MSWG and the answers provided by the Management. A copy of the slide presentation on the questions and answers is attached herein as Annexure A which is annexed as part of the Minutes.

Thereafter, the Chairman invited questions from the floor in respect of the Audited Financial Statements for the financial year ended 31 December 2016. The salient issues raised were as follows:-

- 5.1 Mr. Mustafa Ali R. Jumabhoy, a shareholder enquired if the impairment on tin ore was due to the advances given to suppliers or the tin ore purchased. Dato' Dr. Yong Mian Thong ("Dato' Dr. Yong"), the Group Chief Executive Officer replied that the impairment was mostly from tin ore that the Company purchased from Republic of Congo. There was timing difference between the time the deposits were paid to suppliers and the time materials were shipped by suppliers. Mr. Mustafa Ali R. Jumabhoy further asked if the Company follow the practice in Malaysia in respect of the advances given to the suppliers and whether the suppliers are regular or random suppliers of the Company. Dato' Dr. Yong responded that the Company adopted prudent practice in respect of the advances given to suppliers. He added that the Company deals directly with the regular suppliers through an international trader. Dato' Dr. Yong expressed optimism on the recovery of the advances to suppliers.
- 5.2 Mr. Lai Fook Hoy ("Mr. Lai"), a shareholder highlighted that the inventories of tin-in-concentrates, tin-in-process and refined tin metal of the Group increased from RM250,188,000 in year 2015 to RM353,920,000 in year 2016, which was higher than the shareholders funds of RM279,089,000. He asked why the Auditor did not consider the high inventories amount as a key audit matter as he opined that any misstatement of inventories would impact the financial statements. He stated that the key audit matter provided by the Auditors is only related to the provision of mine rehabilitation. He then enquired why the Company needs to hold high inventories when the production was below 30,000 tonnes of tin per year. He opined that efforts should be made to monetise the inventories in order to reduce the level of borrowing. The Chairman responded that the inventories relates to the business model whereby high level of inventories would not be considered as key audit matter. Mr. Lai expressed his view

that if the inventories have not been valued correctly, there was a risk that the financial statements may be overstated or understated. Ms. Lee Ai Chung (“Ms. Lee”) from Messrs Ernst & Young, the Auditors of the Company explained that the quantum is not the only key determinant of key audit matters as the key audit matters are judgmental matters which were most significant to the audit of the Group and inventories is not considered to be significant. Mr. Lai indicated that although less audit judgement was required for the inventories, due to its magnitude, the Auditors should consider it as key audit matter as if there is an error of 5%, it would affect and has huge impact on the financial statements. Ms. Lee replied that the Auditors only highlighted the areas which are of audit significance as key audit matters. At this juncture, Dato’ Ng Jui Sia (“Dato’ Ng”), an independent Non-Executive Director, further clarified that since the Company has been in operations for a long time, plenty of base stocks has accumulated over the years. The Company must have capital investment either in new plant or new technology in order to achieve significant reduction in inventories.

- 5.3 With the abolition of concept of shares with par value, Mr Tan Kim Sing (“Mr. Tan”), a proxy suggested that Company consider the issuance of bonus issue to shareholders since the share premium account is RM76,372,000. The Chairman replied that the Company will consider this and review various options at the appropriate time. In response to Mr. Tan’s enquiry on the business model, the Chairman informed that it is a challenge to determine the best structure and best size. Nonetheless, various plans and work streams have been laid out to achieve specific internal targets, which will put the Group in a better position to face any unexpected challenges going forward.
- 5.4 In response to Mr. Tan’s second question on the acquisition of Pulau Indah site in respect of the capacity, time frame and capital expenditure, Dato’ Dr. Yong mentioned that the production facility in Klang has more advanced manufacturing technology than the current smelter in Butterworth. With the deployment of new technology, the capacity of smelting of tin concentrates can be increased by 40%. He added that the adoption of more advance smelting technology places the Company in a better position to address the more stringent environmental requirements imposed by the Department of Environment. The new technology also increases the efficiency as it allows for one stage smelting for the tin which are trapped in intermediates. The estimated time frame for the relocation of plant is about 2 to 2 ½ years subjected to the approval from the government and other factors which are beyond the control of the Company. For the capital expenditure, Dato’ Dr. Yong informed that the cost of acquisition of the plant together with the plant and machinery was about RM50 million and the Company has budgeted RM80 million for the relocation of the plant. He added that the plant has to be re-engineered from lead smelting plant to a tin smelting plant.

- 5.5 Mr. Lee Kim Huah, a shareholder, enquired on the reasons of the decline in profit of approximately 30% in the first quarter of 2017 compared to first quarter of 2016. Dato' Dr. Yong explained that the profit was higher in first quarter 2016 due to lower production, higher net foreign exchange loss and the absence of a favourable valuation adjustment. He indicated that the Company actually performed better in the first quarter 2017 compared to first quarter 2016 if the write back of valuation adjustment was not taken into consideration and the comparison was based on production to production basis. The Chairman advised that the extraordinary items must be taken out when comparing the quarterly results.
- 5.6 In response to the enquiry from a shareholder, Mr. Desai Praful Jayantilal on the status of the tax provision for subsidiaries in Philippines, the Group Chief Financial Officer, Mr. Yap Fook Ping ("Mr. Yap") replied that the tax provision issue was resolved last year with the reversal of provision of tax liabilities of approximately RM39 million in the fourth quarter of 2016.
- 5.7 Mr. Looi Bian Chong ("Mr. Looi"), a shareholder of the Company enquired the status of the targeted plan of increasing the mining output by 20% to 25%. He also asked if the indicated output about 100 tonnes per month from Sungai Lembing would add to the current output of 2,000 tonnes per month. Mr. Rick Thibault ("Mr. Rick"), the Group Chief Operating Officer, Mining, explained that the mine production is progressing well. The improvement was not only due to the changes in technology but also changes in people. The Company will be able to achieve the targeted improvement of productivity by the end of the year. In response to the second question of Mr. Looi, Dato' Dr. Yong outlined the mining situation in Sungai Lembing and stated that the targeted production of 50 tonnes to 100 tonnes per month from Sungai Lembing is an additional output to the current production from Rahman Hydraulic Tin.
- 5.8 Mr. Tan enquired the reasons for the foreign exchange loss and hedging loss. Mr. Yap explained that as the Company is in the commodity business, it will be exposed to the foreign currency and commodity price volatilities. In addition, the borrowing in USD and the weakening of currency of Malaysia were the reasons for the unrealised currency translation loss in fourth quarter of 2016. The Chairman conveyed that the Company will look into improving its hedging policy.
- 5.9 In response to the enquiry from a shareholder on the dividend policy, the Chairman stated that the Company does not have any formal dividend policy presently. However, it is the intention of the Board to retain adequate reserves to reward the shareholders with higher and sustainable dividend payout.

- 5.10 Mr. Looi mentioned that the dividend payout ratio for the dividend of 8 sen per share declared by the Company for the financial year ended 31 December 2016 was approximately 25%. He opined that this was relatively low as the Company is a long established firm and asked if there will be an improvement in the dividend payout ratio in future. The Chairman assured the shareholders that the Company will strive to declare higher dividend payout. Dato' Ng expressed that several factors affected the dividend payment. Firstly, the earnings of the Company was affected by the loss making position in the previous years. In addition, the Company has loan covenant whereby it could not borrow from Bank to pay the dividend. The Company must also take into account of future capital expenditure and current earning before any declaration of dividend.
- 5.11 In response to the concern and enquiry from a shareholder, Mr. Lim Leong Chye in respect of the new European rule on conflict tin supply and the measures taken by the Company to ensure the constant supply, Dato' Dr. Yong highlighted that the Company is registered with ITRI. The supply of tin is from Democratic Republic of Congo whereby every bag of tin is meticulously organised and tagged and it will be audited by ITRI to make sure the supply is conflict free.
- 5.12 Mr. Heng Choon Chou, a shareholder asked about China's tin market. Dato' Dr. Yong informed that China is a net importer of tin and the price listed in Shanghai Metal Exchange is slightly higher than London Metal Exchange ("LME").
- 5.13 The Chairman took note of the comment and suggestion of a shareholder, Mr. Desai Praful Jayantilal on the tradeability and liquidity of the share price of the Company. The Chairman affirmed that the Directors are committed and aligned in improving the tradeability and liquidity of the share price of the Company.
- 5.14 Mr. Mustafa Ali R. Jumabhoy, a shareholder sought the view of the Board pertaining to the uncertainty for tin demand as stated in the tin market review and outlook in page 31 of the Annual Report. The Chairman clarified that it was merely the prediction from ITRI. Dato' Dr. Yong mentioned that the level of tin price is difficult to predict as it is not necessary dependant on the level of demand and supply. However, the Company will not put the shareholders at risk and always consider carefully when making the decision to hold the tin.
- 5.15 In response to the enquiry from Mr. Vashdev Dadlani, a shareholder on the relationship of the Company with Kuala Lumpur Tin Market ("KLTM"), Dato' Dr. Yong replied that there is no relationship between the Company and KLTM. He further explained that KLTM is a metal exchange whereby it is a physical tin market where buyers and sellers transact business directly. Depending of the customers' requirement, the Company will determine the tin price based on KLTM level or LME level.

- 5.16 Mr. Desai Praful Jayantilal enquired if the Company has any plan to acquire new mines. The Chairman responded that the Company incurred huge impairment losses with the written off of investment of mines in Indonesia and other countries. Due to the previous bad investment experience, the Company is very cautious in any decision relating to the acquisition of mines / investment.

After having addressed all the questions raised, it was recorded that the Audited Financial Statements of the Company had been duly received and adopted by the shareholders.

6. POLL PROCEDURE

After going through all the motions set out in the Notice of the Meeting by the Chairman, the representative from the Company's Share Registrar was invited to brief the floor on the polling procedures before the commencement of polling.

The Chairman informed that the outcome of the poll would be announced after the short break for refreshment as it would take some time for the scrutineers to tabulate the results of the poll. The Meeting then adjourned for refreshment at 12.20 p.m. for the votes to be counted and to enable the scrutineers to present their report to the Chairman.

POLL RESULTS

The Meeting resumed at 12.45 p.m. and after obtaining the report from the Scrutineers, the Chairman announced the results of the poll as follows:-

Ordinary Resolution 1	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To approve the payment of Final Single-Tier Dividend of 8 sen per share in respect of the financial year ended 31 December 2016	57,280,000	100.00	0	0.00

It was RESOLVED:-

That the payment of Final Single-Tier Dividend of 8 sen per share in respect of the financial year ended 31 December 2016 be and is hereby approved.

Ordinary Resolution 2	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To approve the Directors' Fees of the Company and subsidiaries of RM685,000 for the financial year ended 31 December 2016	57,280,000	100.00	0	0.00

It was RESOLVED:-

That the payment of the Directors' Fees totalling RM685,000 for the financial year ended 31 December 2016 be and is hereby approved.

Ordinary Resolution 3	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To approve the Directors' Fees and benefits payable by the Company and its subsidiaries of an aggregate amount of RM950,000 from 1 January 2017 until the next AGM of the Company.	57,280,000	100.00	0	0.00

It was RESOLVED:-

That the payment of the Directors' Fees and benefits payable by the Company and its subsidiaries of an aggregate amount of RM950,000 from 1 January 2017 until the next AGM of the Company be and is hereby approved.

Ordinary Resolution 4	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Re-election of Ms. Chew Gek Khim as Director	57,280,000	100.00	0	0.00

It was RESOLVED:-

That Ms. Chew Gek Khim who retired pursuant to the Constitution of the Company be and is hereby re-elected as Director of the Company.

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Ordinary Resolution 5	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Re-election of Mr. Yap Chee Keong as Director	57,280,000	100.00	0	0.00

It was RESOLVED:-

That Mr. Yap Chee Keong who retired pursuant to the Constitution of the Company be and is hereby re-elected as Director of the Company.

Ordinary Resolution 6	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Re-election of Mr. Chia Chee Ming, Timothy as Director	57,280,000	100.00	0	0.00

It was RESOLVED:-

That Mr. Chia Chee Ming, Timothy who retired pursuant to the Constitution of the Company be and is hereby re-elected as Director of the Company.

Ordinary Resolution 7	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration	57,279,900	100.00	0	0.00

It was RESOLVED:-

That the retiring Auditors, Messrs Ernst & Young, having indicated their willingness to accept the re-appointment, be and are hereby re-appointed as Auditors of the Company for the ensuing year until the conclusion of the next Annual General Meeting and that the Directors be authorised to fix their remuneration.

Ordinary Resolution 8	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Authority to Allot and Issue Shares pursuant to Section 76 of the Companies Act, 2016	57,280,000	100.00	0	0.00

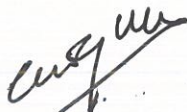
It was RESOLVED:-

That pursuant to Section 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 next conclusion of the next Annual General Meeting 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.

CONCLUSION

There being no other business to be transacted, the Chairman declared the Meeting closed at 12.50 P.M.

SIGNED AS A CORRECT RECORD



CHAIRMAN

17 May 2017

Minority Shareholder Watchdog Group (MWSG)
11th Floor, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: Pn. Rita Benoy Bushon, Chief Executive Officer
Pn. Lya Rahman, General Manager

RE: Reply to the MWSG questions for the 38th Annual General Meeting of Malaysia Smelting Corporation Berhad

We refer to your letter dated 12 May 2017. We append below the response to your queries as highlighted in your letter.

A. STRATEGY AND FINANCIAL MATTERS

- 1) During the year under review, the Group recorded a turnaround result of a profit net of tax of RM34.3 million from a loss net of tax of RM4.8 million in FY2015.

What will be the outlook for the Group's financial performance in FY2017? Is the performance sustainable?

We are unable to comment on profit forecast. However, with the board and management changes in 2016, everyone is working hard to improve the various businesses, including (i) optimising the cost structure and (ii) enhancing operational efficiencies.

- 2) As stated in the management discussion and analysis on page 28 of the annual report 2016, improvement in operational efficiency and cost rationalization remain the focal point in the current year to buffer MSC against the changes in global macro economy. What further improvements are expected in FY2017.

As mentioned in our annual report, improvement in operational efficiency and cost rationalization are important steps to keep MSC competitive. A more efficient cost structure would position MSC well in the event of any unforeseen and unexpected global market changes.

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(Company No. 43072-A)

- *Reply to the MSWG questions for the 38th Annual General Meeting of Malaysia Smelting Corporation Berhad*

3) Tin Exploration and Resources

- a) What is the net present value ("NPV") and the minimum internal rate of return targeted by the Group from the mining activities

The Group is still in the early stages of transformation, undertaking various work-streams to enhance operational efficiencies. In addition, the Group does not provide profit forecast. Nevertheless, as a guide, we do benchmark our performance against industry peers.

- b) In terms of technical, what are the challenges faced by the Group and how would the Group plan to overcome those challenges, moving forward?

The group has an experienced team on tin exploration and resources matters. Currently, there are no specific technical matters concerning the mine that are of specific concerns.

- 4) Please brief on how the Group manages the cashflow risk against the market background of frequently-changing commodity prices

The Group has very strong operating cashflow as evidenced by the operating cashflow figures in FY2016 and 1Q2017. In addition, the Group monitors the market and tries to hedge accordingly.

5) Impairment losses

As reported under Note 11 on page 120 of the annual report, the Group had recorded impairment of advances to supplier of RM31.2 million. What actions have been taken to collect the amount and what would be the likelihood of recovery?

The Group has taken a proactive approach to engage the supplier. So far, it is premature to advise on the recovery rate of the amount. Nevertheless, please be assured that the Group is working hard to do our best to minimize the impact arising from the impairment of the advances.

- 6) The Group had reduced its total borrowings by approximately 13% from RM392 million in FY2015 to RM339.5 million in FY2016. Its gearing ratio as at 31 December 2016 declined to 1.2 times from 1.6 times a year ago.

What is the Group's gearing policy? What is the optimal gearing level that the Board aspired to maintain in future?

As mentioned, the Group is in transformation stage and would be premature for the Group to comment on a specific gearing level. Nevertheless, shareholders should be assured that the board and management are highly experienced and would be actively monitoring the gearing level of the Group to ensure that it is at a healthy and safe level.

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(Company No. 43072-A)

- Reply to the MSWG questions for the 38th Annual General Meeting of Malaysia Smelting Corporation Berhad

- 7) As at 31 December 2016, the carrying value of the Group's interest in KMR Group stood at RM9.6 million, which was reduced substantially from the previous year's value (2015: RM59.6 million)

What were the reasons for the depleting value and how would the Board address the interest in KMR Group?

The reduction in the Group investment value in KMR from RM59.6 million in 2015 to RM9.6 million in 2016 was mainly due to completion of a share buy-back exercise by KMR whereby 36,945,030 shares of USD1 each in KMR were purchased from its shareholders for USD36,945,030. This is accounted for as partial disposal of the Company's investment in KMR and a gain on disposal of RM11.5 million was recognized for the Group in 2016. The share buy-back exercise did not result in any change in the Company's equity interest in KMR.

Corporate Governance Matters

The Company is seeking shareholders' approval for resolution 3 for the directors' fees and benefits payable by the Company and its subsidiaries of an aggregate amount of RM950,000 from 1 January 2017 until the next AGM of the Company.

Please provide a breakdown of these fees and benefits.

The breakdown of Directors' Fees and Benefits from 1 January 2017 until next AGM is as follows:

Responsibilities Fees	MSC	Subsidiaries
	RM	RM
(i) Chairman/Member of the Board	459,000	132,000
(ii) Chairman/Member of Audit Committee	100,000	-
(iii) Chairman/Member of Nominating & Remuneration Committee	45,000	-
(iv) Meeting Attendance Fee	190,000	24,000
TOTAL	794,000	156,000
GRAND TOTAL		950,000

Please do not hesitate to contact us further, should you have any further clarifications.

Thank you.

Yours sincerely,



Dato' Dr. Patrick Yong Mian Thong
Chief Executive Officer