MSC Malaysia Smelting Corporation Berhad
(Incorporated in Malaysia)
Company No. 43072-A

ANNUAL REPORT 09

The FUTURE is OURS to SHAPE

THE FUTURE IS OURS TO SHAPE

COVER RATIONALE

The MSC Group has faced some of its most challenging times in the past couple of years. We have had to revise our strategy for growth as well as reposition and rationalise our operations, barely after rolling out our diversification strategy. In these trying times, we derive inspiration from the natural element of 'water'. Used extensively throughout mining operations, water has the quality of remarkable adaptability. Whilst use of high-pressure water jets disintegrate ore-bearing ground at a gravel pump mine site, it is also the water's gentle flow that helps sift tin from impurities on a palong. Just like the pliable water, we have taken stock of our circumstances and surroundings, and made the necessary adjustments with an unwavering resolve to re-emerge triumphant and more resilient than ever.

> "Adaptability is not imitation. It means power of resistance and assimilation."
>
> *- Mahathma Gandhi*

31ST ANNUAL GENERAL MEETING

MALAYSIA SMELTING CORPORATION BERHAD
12.00 pm; Tuesday, 11 May 2010
Bayan Room, Hotel Equatorial Penang
Jalan Bukit Jambul, Penang, MALAYSIA

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VISION

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

MISSION

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

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

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

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

CORE VALUES

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

MSC GROUP'S MINING, SMELTING & EXPLORATION ACTIVITIES AND MAJOR INVESTMENTS IN THE ASIA-PACIFIC REGION

MSC GROUP BUSINESS PROFILE

The MSC Group is currently one of the world's leading integrated producers of tin metal and tin based products and a global leader in custom tin smelting since 1887. In 2009, the Group produced 43,862 tonnes of tin metal thus maintaining its global position as the third largest supplier of tin metal.

With the Group's core expertise and solid foundation of over a century of smelting excellence to its credit, the Group's smelting facility in Butterworth operates one of the most cost efficient smelting plants in the world converting primary, secondary and often complex tin bearing ores into high purity tin metal for industrial application. The plant has a production capacity of approximately 35,000 tonnes of refined tin a year. MSC Straits refined tin brand which is registered at London Metal Exchange (LME) and Kuala Lumpur Tin Market (KLTM) is accepted worldwide and has purity ranging from the standard Grade A (99.85% Sn) to the premium grade electrolytic tin (99.99% Sn).

The Group's Indonesian operations are primarily undertaken through its two subsidiaries - 75% owned PT Koba Tin and wholly owned PT, MSC Indonesia, as well as through its 40% associate, PT Tenaga Anugerah.

PT Koba Tin operates a large capacity bucket-line dredge and gravel-pump mining units in rich alluvial grounds within an area of 41,680 hectares under a contract of work agreement with the Government of Republic of Indonesia. PT Koba Tin has its own smelter with a production capacity of 25,000 tonnes of refined tin a year and produces the premium grade Koba brand (99.9% Sn) which is also widely consumed as a premier brand with superior quality. PT MSC Indonesia is the Group's vehicle for undertaking exploratory programmes to search for new onshore and offshore tin deposits in Indonesia. It has recently started a gravel-pump mining operation in Bangka Island and is currently developing additional two units. Its offshore mining operations which commenced last year are undertaken using two cutter-suction dredges. PT Tenaga Anugerah has secured production sharing rights in offshore tin mining areas in Indonesia and currently operates two offshore cutter-suction dredges around Bangka Island.

In November 2004, MSC acquired Rahman Hydraulic Tin Sdn. Bhd. (RHT), Malaysia's long established and largest operating open-pit eluvial tin mine. Extensive exploration works and improvements of milling/concentrator circuit and recovery operations have been undertaken since the takeover and today RHT is a sustainable and significant tin producer in Malaysia.

In October 2007, MSC entered into a joint venture agreement with Guangxi Guilin Jinwei Realty Co. Ltd and Vertex Metals Incorporation of Taiwan to enable it to own and operate a tin smelting plant in the Guangxi province. The Company's stake in this joint venture is 35%. The smelting plant is located in Linqui, Guangxi and is expected to have a targeted annual production capacity of 10,000 tonnes of refined tin and tin based products.

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

GROWTH STRATEGY

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

MSC will pursue its growth strategy on its core business in tin through strategic acquisitions and organic growth where its core expertise, skills and capabilities can add value and make a difference particularly in increasing operating efficiencies, innovating products and services and forging global commercial and marketing networks to ensure its continued leadership position in the industry.

OTHER METALS AND MINERALS

Consequent upon a decision made in 2009 to reposition the Group to focus on its original core business of tin, MSC has initiated a programme to divest some of the Group's non-tin investments and assets.

The Group's non-tin investments comprise 22.12% interest in a listed gold and copper associate in Australia, BCD Resources NL; a 18.22% interest in a Canadian listed nickel associate, Asian Mineral Resources Limited; a 30% interest in a polymetallic mine (producing copper, zinc, gold and silver in concentrates) in the Philippines; a 76.91% Australian listed subsidiary, Australia Oriental Minerals NL (AOM); and a 53% effective interest in a coal development project in Indonesia.

CORPORATE INFORMATION

BOARD OF DIRECTORS

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr Norman Ip Ka Cheung (Chairman)
Mr Yeo Eng Kwang
Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong
Mr Chew Kwee San

EXECUTIVE DIRECTOR
Dato' Seri Dr Mohd Ajib Anuar

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Mr Choi Siew Hong

INDEPENDENT NON-EXECUTIVE DIRECTORS
En Razman Ariffin
Mr Lim Sit Chen Lam Pak Ng

COMPANY SECRETARY

Cik Sharifah Faridah Abdul Rasheed (LS0008899)

MANAGEMENT

Dato' Seri Dr Mohd Ajib Anuar
(Group CEO/Executive Director)
Mr Lai Fook Hoy
(Group Chief Operating Officer) - retired on 15.01.10
Mr Yap Fook Ping
(Group Chief Financial Officer)
Mr Chua Cheong Yong
(Group Chief Operating Officer, Smelting)
Mr Choo Mun Keong
(Head, Strategic Planning & Investments)
En Mohd Najib Jaafar
(Group Senior General Manager, Mining & Development)
En Kamardin Md Top
(President Director, PT Koba Tin)
En Omar Mohd Alwi
(President Director, PT MSC Indonesia)
En Mohd Yakub Ismail
(Senior General Manager, Rahman Hydraulic Tin Sdn Bhd)
En Madzlan Zam
(President Director, PT SRM)
Mr Chan Kim Fan
(Executive Director, AOM)
En Abd Ghani Hasan
(President Director, PT Asiatic Coal Nusantara)

REGISTERED, CORPORATE & MARKETING OFFICE

B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
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50450 Kuala Lumpur, Malaysia
Tel: (603) 2166 9260-1
Fax: (603) 2166 6599
E-mail: msckl@po.jaring.my
www.msmelt.com

BUTTERWORTH SMELTER

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

PT KOBA TIN OFFICE

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Jakarta 10220, Indonesia
Tel: (62) (21) 251 1566
Fax: (62) (21) 251 1532
E-mail: kobatin@jkt.ptkoba.co.id
www.ptkoba.co.id

PT MSC INDONESIA OFFICE

Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No. 2
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Fax: (62) (21) 5793 9119
E-mail: tanti@ptmsci.co.id

RAHMAN HYDRAULIC TIN SDN BHD

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

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13 Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor, Malaysia
Tel: (603) 7841 8000
Fax: (603) 7841 8008

AUDITORS

Ernst & Young

BANKERS

CIMB Bank Berhad
Citibank Berhad
Calyon
Hong Leong Bank Malaysia Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Standard Charted Bank Malaysia Berhad
The Bank of Nova Scotia Berhad

STOCK EXCHANGE LISTING

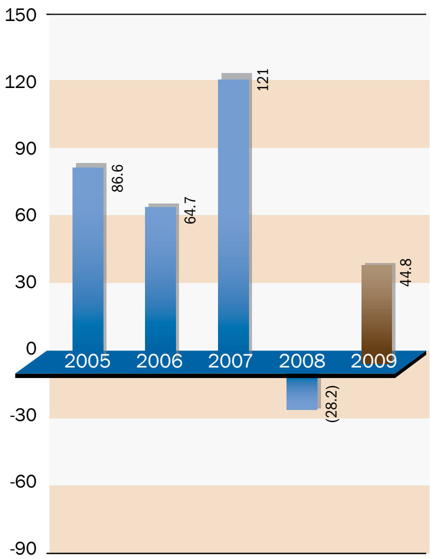
Bursa Malaysia Securities Berhad

GROUP FINANCIAL HIGHLIGHTS

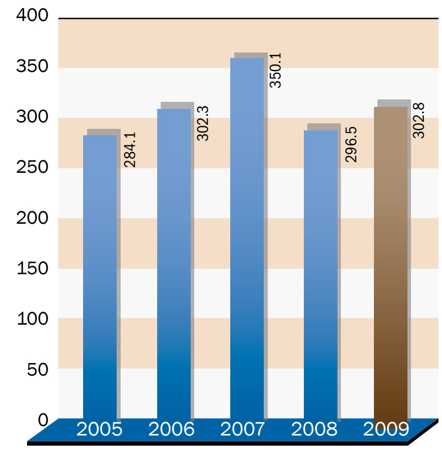
						Year ended 31 December
		2005 Restated	2006	2007	2008	2009
Revenue	(RM Mil)	1,692.8	1,637.7	1,913.1	2,276.4	**1,851.7**
Profit/(Loss) before taxation	(RM Mil)	86.6	64.7	121.0	(28.2)	**44.8**
Taxation	(RM Mil)	(22.6)	(20.2)	(42.8)	(18.6)	**(41.2)**
Profit/(Loss) attributable to shareholders	(RM Mil)	56.7	41.5	67.4	(46.3)	**7.4**
Total assets	(RM Mil)	757.1	730.0	841.4	1,062.5	**1,166.5**
Net current assets	(RM Mil)	152.4	215.1	177.6	33.1	**68.0**
Shareholders' funds	(RM Mil)	284.1	302.3	350.1	296.5	**302.8**
Earning/(Loss) per share	(sen)	76	55	90	(62)	**10**
Gross dividend declared/proposed per share	(sen)	30	20	28	8	**3**
Net assets per share attributable to shareholders of the Company	(sen)	379	403	467	395	**404**
Pre-tax return/(loss) on average shareholders' funds	(%)	32	22	37	(9)	**15**

* Restated due to implementation of new Financial Reporting Standards in 2006

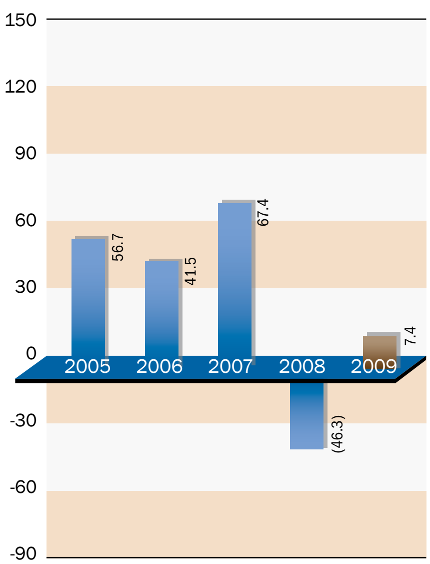
GROUP FINANCIAL HIGHLIGHTS (CONT'D)



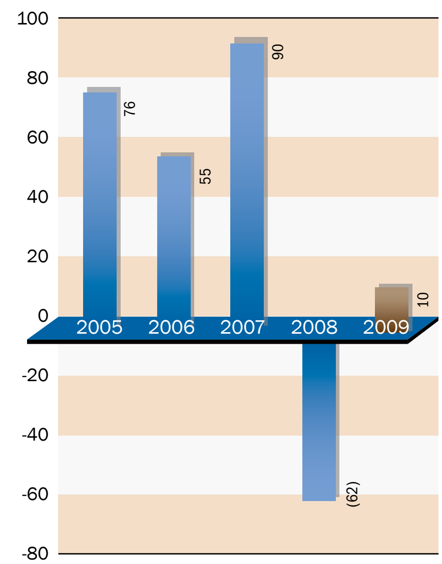
Profit/(Loss) Before Taxation (RM Mil)



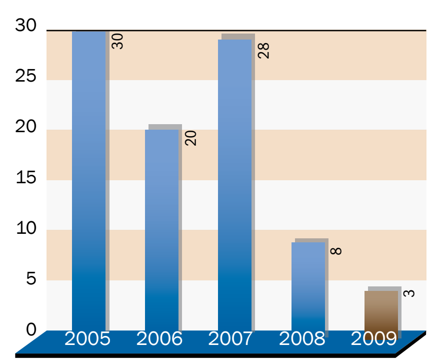
Shareholders' Funds (RM Mil)



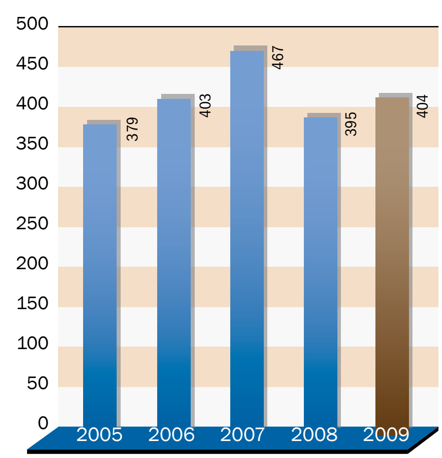
Profit/(Loss) Attributable to Shareholders (RM Mil)



Earning/(Loss) Per Share (sen)



Gross dividend declared/proposed per share (sen)



Net Assets Per Share Attributable to Shareholders of the Company (sen)

BOARD OF DIRECTORS

Left to Right

YBHG DATO' SERI DR MOHD AJIB ANUAR
EN RAZMAN ARIFFIN
MR NORMAN IP KA CHEUNG
MR CHEW KWEE SAN
MADAM ONG LEE KEANG, MAUREEN @ MRS MAUREEN LEONG
MR CHOI SIEW HONG
MR YEO ENG KWANG
MR LIM SIT CHEN LAM PAK NG

BOARD COMMITTEES

AUDIT COMMITTEE

MR CHOI SIEW HONG (CHAIRMAN)
MR NORMAN IP KA CHEUNG
EN RAZMAN ARIFFIN

NOMINATING COMMITTEE

MR CHOI SIEW HONG (CHAIRMAN)
EN RAZMAN ARIFFIN
MR NORMAN IP KA CHEUNG

REMUNERATION COMMITTEE

MR NORMAN IP KA CHEUNG (CHAIRMAN)
MR CHOI SIEW HONG
YBHG DATO' SERI DR MOHD AJIB ANUAR

DIRECTORS' PROFILE

MR NORMAN IP KA CHEUNG - CHAIRMAN

Mr Norman Ip Ka Cheung is a British subject aged 57 years. He was first appointed to the Board in 1993 in the capacity of a Non-Independent Non-Executive Director and assumed the role of Chairman of the Company in April 2007. He currently chairs the Remuneration Committee and is a member of the Audit Committee and the Nominating Committee. He also sits on the Board of the Group's Australian listed subsidiary, Australia Oriental Minerals NL.

Mr Ip graduated with a BSc (Econs) from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Certified Public Accountants of Singapore.

Mr Ip retired from the post of President & Group CEO and Executive Director of The Straits Trading Company Limited (STC) in Singapore, the immediate holding company of Malaysia Smelting Corporation Berhad, on 31 October 2009 after 26 years of service but continues to serve as its Advisor to-date. Prior to joining The Straits Trading Group in 1983, he was a supervisor with Ernst & Whinney (now known as Ernst & Young) specializing in audits of conglomerates.

He is also a Director of WBL Corporation Limited, United Engineers Limited and Great Eastern Holdings Limited, companies listed on the Singapore Exchange Limited ("SGX"). He also serves on the Board of the Building and Construction Authority of Singapore.

Mr Ip does not have any family relationship with any other director of the Company and neither has he been convicted of any offences.

YBHG DATO' SERI DR MOHD AJIB ANUAR

YBhg Dato' Seri Dr Mohd Ajib Anuar is a Malaysian aged 60 years. He was first appointed to the Board as a Non-Independent Non-Executive Director in July 1986 and has been the Chief Executive Officer and Executive Director of the Company since June 1994.

He has more than thirty-eight years of experience and expertise in the global tin and mineral resources industry. Currently, he serves as the Chairman of the Kuala Lumpur Tin Market, the President of the Malaysian Chamber of Mines and the Chairman of the Malaysian Tin Industry (Research and Development) Board as well as a Director of ITRI Innovation Ltd, UK (the research and development body of the world's tin industry). He is also a director of the Company's listed associate in Australia, BCD Resources NL and listed subsidiary Australia Oriental Minerals NL.

Prior to his appointment as the CEO of the Company, YBhg Dato' Seri Dr Mohd Ajib Anuar spent 23 years in Malaysia Mining Corporation Berhad Group of Companies (now known as MMC Corporation Berhad Group of Companies), serving in various senior positions including as the General Manager of the Finance Department, Director of Business Development and Managing Director of MMC's International Marketing Division. He had also served as the President of ITRI Ltd, UK (2002 to 2006), the Deputy Chairman of the Kuala Lumpur Commodity Exchange (1988 to 1993) as well as Chairman of the Malaysian Futures Clearing Corporation (1990 to 1993).

YBhg Dato' Seri Dr Mohd Ajib Anuar holds the professional qualification of the Association of Chartered Certified Accountants, United Kingdom.

YBhg Dato' Seri Dr Mohd Ajib Anuar does not have any family relationship with any other director and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.

DIRECTORS' PROFILE (CONT'D)

MR CHOI SIEW HONG

Mr Choi Siew Hong is a Malaysian aged 88 years. He was first appointed to the Board of the Company in April 1989 and was appointed Chairman of the Audit Committee in August 1994, Chairman of the Nominating Committee in February 2002 and a Senior Independent Non-Executive Director in January 2003.

Mr Choi has enjoyed an illustrious career in the banking industry. Equipped with a First Class Honours Degree in Economics from the University of Malaya, he served Bank Negara as Secretary and Adviser from December 1958 to January 1966 and then as Deputy Governor to October 1972. He was an Executive Director of the World Bank representing Malaysia and other countries in the South East Asia Voting Group from November 1972 to October 1975. He assumed a senior executive position and later that of General Manager in the Malaysia Division of Oversea Chinese Banking Corporation Limited from 1976 to July 1986. He was a director of The Pacific Bank Berhad (now known as PacificMas Berhad) from 1976 and became Chairman of the Bank from 1988 to 1994. He then became the Chairman of OCBC Bank (Malaysia) Berhad until October 1997 when he was reappointed as the Chairman of Pacific Bank until his retirement from that position at the end of June 2008.

Currently, Mr Choi Siew Hong sits on the boards of United Malacca Berhad, Malaysian Trustees Berhad as well as several private companies.

Mr Choi Siew Hong does not have any family relationship with any other director and/or major shareholders of the Company or any conflict of interest with the Company. He has never been convicted of any offence.

EN RAZMAN ARIFFIN

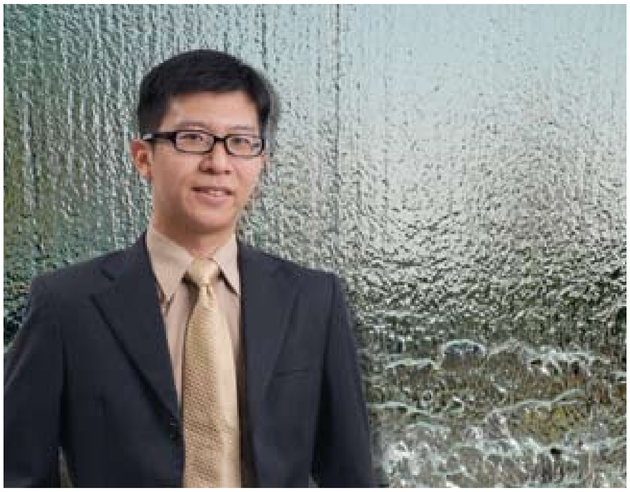
En Razman Ariffin is a Malaysian aged 62 years. He was appointed to the Board of the Company in February 2006 as an Independent Non-Executive Director. Currently, he is a member of the Audit Committee and Nominating Committee. En Razman Ariffin graduated from the Imperial College of Science and Technology at the University of London, England with First Class Honours in Mining Engineering.

His involvement in the mining, metallurgical and energy industries spans over 35 years. Beginning his career at Osborne & Chappel Sdn. Bhd. in 1972, En Razman served as Production and Planning Engineer before moving on to Sarawak Shell Berhad as Petroleum Engineer. He was then attached to the MMC Corporation Berhad Group Of Companies serving in various capacities over the years. He was the General Manager of Malaysia Smelting Corporation Berhad from 1985 to 1989 and the Chief Executive Officer of the Company from 1989. He left the Company in 1994 to become Senior Consultant at Turnaround Managers Inc. He has also served as Managing Director of Trenergy (M) Berhad and Crest Petroleum Berhad, both companies listed on Bursa Malaysia. Currently, he is an independent strategic and corporate consultant. He is a past Chairman of the Malaysian Section of the Institute of Materials, Minerals and Mining, and had also served on the Council of the Institute of Mineral Engineering, Malaysia.

En Razman is also a director of The Straits Trading Company Limited of Singapore, which is the immediate holding company of Malaysia Smelting Corporation Berhad, as well as several private companies and is the Chairman of PT Koba Tin of Indonesia.

En Razman Ariffin does not have any family relationship with any other director or any conflict of interest with the Company. Neither has he been convicted of any offence.

DIRECTORS' PROFILE (CONT'D)



MR YEO ENG KWANG

Mr Yeo is a Singaporean aged 36 years. He was appointed to the Board as a Non-Independent Non-Executive Director on 2 September 2008.

Mr Yeo graduated from the Nanyang Technological University of Singapore with a Bachelor of Business degree specializing in Financial Analysis. He is currently a CFA charter holder.

Mr Yeo presently serves as the Senior Portfolio Manager of Tecity Group of Companies, which is a major shareholder of The Straits Trading Company Limited, and covers the resources sector for the Group. Prior to joining the Tecity Group in 1999, Mr Yeo was with DBS Bank's corporate banking department.

Mr Yeo does not have any family relationship with any other director or major shareholder of the Company and neither has he been convicted of any offence.

MADAM ONG LEE KEANG, MAUREEN @ MRS MAUREEN LEONG

Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong is a Singaporean aged 55 years. She was appointed to the Board as a Non-Independent Non-Executive Director on 14 December 2009.

Holder of a Bachelor of Accountancy degree with First Class Honours from the University of Singapore, Mrs Leong is a fellow of both the Institute of Certified Public Accountants of Singapore and CPA Australia.

Mrs Maureen Leong is currently the Group Chief Financial Officer of The Straits Trading Company Limited ("STC") which is listed on the main board of Singapore Exchange Limited ("SGX") and is the immediate holding company of Malaysia Smelting Corporation Berhad. She has overall responsibility for the financial functions, including treasury, tax, insurance, risk management and capital management of STC and its group of companies.

Mrs Maureen Leong has more than 30 years of experience in finance, tax and treasury management in various industries, having started her career with DBS Bank Ltd, before moving on to Deloitte & Touche and the Sembcorp Group of Companies. Prior to joining STC in September 2009, Mrs Leong's last appointment was as Executive Vice President of Sembcorp Industries Ltd, another company listed on the main board of SGX.

Mrs Maureen Leong does not have any family relationship with any other director or major shareholder of the Company and she has not been convicted of any offence.

DIRECTORS' PROFILE (CONT'D)

MR CHEW KWEE SAN

Mr Chew Kwee San is a Singaporean aged 41 years. He was appointed to the Board as a Non-Independent Non-Executive Director on 1 March 2010.

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

Mr Chew is currently an Executive Director of the Tecity Group of companies which is a privately-held investment group founded by the late banker and philanthropist, Tan Sri Dr Tan Chin Tuan. The Group manages an active global investment portfolio. The Tecity Group of companies has substantial shareholdings in The Straits Trading Company Limited (STC). As an Executive Director, Mr Chew heads the treasury and sits on the investment committee that oversees its investment operations. He is also the Honorary Secretary and Council Member of the Tan Chin Tuan Foundation in Singapore and Council Member of the Tan Sri Tan Foundation in Malaysia. In addition, he is a Director and Treasurer of the Young Men's Christian Association of Singapore, member of the Heritage Industry Incentive Program (Hi2P) Approval Committee of the National Heritage Board of Singapore, member of Investment Committee of the Boy's Brigade in Singapore.

He is a director and a member of the Audit Committee of FJ Benjamin Holdings Limited, a public listed company on the Singapore Exchange Limited ('SGX"). He is also a director of Raffles Investment Limited, a public company in Singapore.

Mr Chew Kwee San is the brother of Ms Chew Gek Khim, the Chairman of the STC and his mother, Dr Tan Kheng Lian, is a substantial shareholder of STC. STC owns 73.12% of the equity of the Company. Mr Chew has never been convicted of any offence.

MR LIM SIT CHEN LAM PAK NG

Mr Lim Sit Chen Lam Pak Ng is a Canadian aged 62 years. He was appointed to the Board as an Independent Non-Executive Director on 1 March 2010.

Mr Lam holds an MBA degree at the Graduate School of Business of Columbia University, New York, N.Y., USA.

Mr Lam is the founding partner of Stewardship Consulting, a strategy consulting firm working with senior executives in the area of corporate strategy, corporate and industry restructuring, financial strategy, corporate finance and risk management, with offices in Singapore and Paris, France.

Born in Mauritius, Mr Lam serves as the Chairman of the Board of Investment, Mauritius, the Government Agency responsible to market Mauritius to foreign investors, make policy recommendations to Government and implement these in order to transform Mauritius into a regional business centre. He works with investment promotion agencies of certain African countries to assist in improving their business climate and attract foreign direct investments.

Mr Lam is also a member of the Presidential Investors' Advisory Council of Burkina Faso in West Africa, Chairman of Axyss Leasing Co. Ltd in Mauritius, and a director on the Board of AfrAsia Bank Ltd of Mauritius.

Prior to Stewardship Consulting, Mr Lam was in investment banking where he accumulated 18 years of experience in the areas of financial strategy, money management, and treasury and risk management. He has worked in the major financial centers: Singapore, New York, Tokyo and London advising multinationals, government agencies, fund management companies.

Mr Lam does not have any family relationship with any other director or major shareholder of the Company and neither has he been convicted of any offence.

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER

On behalf of the Board of Directors, we are pleased to present the Annual Report and Financial Statements of Malaysia Smelting Corporation Berhad (MSC or the Company), its subsidiaries and associated companies (the Group) for the year ended 31 December 2009.

The MSC Group achieved a modest turnaround in its operating performance during the year amidst a tough and challenging market environment. The global financial crisis hurt demand and massive de-stocking in metal inventories resulted in sharply lower metal prices.

The Group's operation in the first quarter of 2009 reflected these adverse market conditions, with average London Metal Exchange (LME) tin price falling by 37% compared with that of the previous corresponding period. The Group reported a loss in that quarter. Following a gradual improvement in commodity markets towards the middle of the year, the Group managed to achieve a moderate recovery in earnings commencing from the second quarter of the year. For the full year, the Group reported a profit before tax of RM44.84 million compared to a pre-tax loss of RM28.16 for the financial year 2008.

2009 was also a year of repositioning and rationalization. The Group focused on the development of its tin business for its long term growth as well as to improve on the operating performance of its existing tin mining operations. The Group ceased to pursue any further diversification into other metals and minerals. On investments made in 2007 and 2008 in gold, copper, zinc, nickel and coal, activities were mainly directed at developments and turnaround of operations to create value prior to divesting these investments.

OPERATIONS

The Group's turnover decreased by 19% to RM1.85 billion in 2009 from RM2.28 billion recorded in 2008 mainly due to a 27% drop in average tin price in 2009 despite an increase in the Group's production of refined tin metal by 13% to 43,862 tonnes from 38,739 tonnes in 2008. Nonetheless, the Group managed to maintain its global position as the third largest supplier of refined tin metal for

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

the year 2009. Production from MSC's Butterworth smelting operations increased to 36,407 tonnes from 31,630 tonnes in 2008. PT Koba Tin's (Koba Tin) production increased marginally to 7,455 tonnes from 7,109 tonnes in 2008.

The Company's custom smelting operations in Butterworth performed well with an increase in production as a consequence of higher receipt of feed materials for smelting and refining during the year. The tin trading and marketing division in Kuala Lumpur also returned creditable performance.

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

Rahman Hydraulic's tin mine production was up by 11% over the previous year. Higher operating efficiencies together with on-going improvements to its mining and mineral processing operations contributed to the improved production. However, lower average tin prices in 2009 resulted in a fall in earnings compared with that of the previous year.

The Group's tin mining operations in Indonesia continued to operate under difficult operating environment due to uncertainties and controversial issues over control of mining rights, forest areas and operations. These adversely impacted on the costs of mining and the progress of mine development and production. At PT Koba Tin, extensive efforts were focused on developing gravel pump mining operations. This enabled the company to achieve a production level at marginally higher than that of the previous year despite significant reduction in production from small scale mining operations. However, higher development costs and lower tin prices resulted in a lower profit during the year. PT MSC Indonesia and the Company's 40% associate, PT Tenaga Anugerah, commenced tin mining operations during the second half of the year, with one gravel pump mine operating in Bangka Island and three cutter-suction dredges for offshore operations. The Group expects to commence generating positive results from these operations in the first half of 2010 and continues to pursue opportunities to identify, develop and expand the Group's tin resources in Indonesia.

The Company's joint-venture with Guangxi Guilin Jinwei Realty Co Ltd (GGJR) and Vertex Metals Incorporation to establish a joint-venture company named Guilin Hinwei Tin Co. Ltd for smelting and refining of tin, and the production and sale of tin and tin-based products in the People's Republic of China has not made much progress as GGJR has not been able to fulfill certain obligations within the specific time frame. The joint-venture partners are currently evaluating other alternatives.

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

STRATEGIC REVIEW AND PROPOSED DIVESTMENT OF NON-TIN ASSETS

On the back of the global liquidity crunch as a result of the economic crisis and financial meltdown, the Board undertook another strategic review of its growth strategy. The Board took cognizance of the need to strengthen the Company's balance sheet and to maintain a sound gearing level. Hence, in the light of the financial constraints and the need to ensure financial prudence, the Board decided that the Group should reposition itself to focus on its original core business of tin. Consequent upon this strategic shift in business direction, the Company has initiated a divestment programme for some of the Group's non-tin investments and assets. In the light of the decision to divest the Group's non-tin investments, the Company decided not to proceed with the bonus and rights issues to raise capital as originally proposed in 2008. The Group will examine alternative options to raise the additional funds required in the immediate term for the expansion of the Group's tin resources and higher working capital for Butterworth smelting operations due to the current and potential additional increase in the volume of tin concentrates and prevailing higher tin prices.

The Group's non-tin investments comprise a 22.12% interest in a listed gold and copper associate in Australia, BCD Resources NL; a 18.22% interest in a Canadian listed nickel associate, Asian Mineral Resources Limited (AMR); a 30% interest in a polymetallic mine (producing copper, zinc, gold and silver in concentrates) in the Philippines; a 76.91% Australian listed subsidiary, Australia Oriental Minerals NL; and a 53% effective interest in a coal development project in Indonesia.

BCD Resources operates an underground gold mine in Tasmania, Australia. It also has an emerging copper development project in Western Victoria and a range of copper and gold exploration prospects, all in Australia. For the financial year ended 30 June 2009, BCD produced 70,178 ounces of gold with revenue of AUD84.0 million, an operating cashflow and net profit of AUD17.0 million and AUD9.4 million respectively. For the period from July to December 2009, it produced 33,995 ounces of gold with positive earnings. In January 2010, following extensive drilling, BCD announced a 37% increase in its gold resource to 571,000 ounces as at 31 December 2009.

AMR's Ban Phuc nickel development project in Vietnam remained under care and maintenance mode for the whole of 2009 due to the downturn in the nickel market. Nickel price has rebounded from a low of USD9,200 per tonne during the first quarter of 2009 to close at USD18,800 per tonne at the end of the year. Further improvement in prices will bode well for the commencement of the project and efforts are currently on-going to raise the necessary funds to complete the project to enable production to commence. The main strength of the project is the expected low cash cost of production due to the high grade nature of the deposit.

The acquisition of a 30% stake in the polymetallic mine at Rapu Rapu Island in the Philippines was completed at the end of 2009. The mine commenced successful trial commissioning and production of copper and zinc concentrates with gold and silver as associated products during the first half of 2009. It

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

returned a modest profit for the year on the back of a turnover of USD49.7 million. Given the current higher metal prices and generally positive outlook, the mine is expected to achieve strong results for 2010.

At Muara Teweh in Central Kalimantan, Indonesia, coal mine development works undertaken by Asiatic Coal had to be suspended in mid 2009 due to the sharp drop in coal prices and the need to expend further funds to establish the complex geology which affects the continuity of the coal seams. Coal prices have since recovered and arrangements are being made to commence mining in the second quarter of 2010.

FINANCIAL RESULTS

The Group's pre-tax profit of RM44.84 million achieved in 2009 showed a return of 15% on average shareholders' funds and marked a crucial turnaround from a loss of RM28.16 million in the previous year. After providing for taxation of RM41.17 million, the Group's net profit was RM3.67 million compared with a Group loss after taxation of RM46.79 million in 2008.

Substantial additional tax provision had to be made in 2009 in respect of prior years' profits of a subsidiary in Indonesia as a result of a recent decision by the tax authority in disallowing certain expenses to be set-off against taxable profits.

Net earnings attributable to shareholders was RM7.35 million (2008: Net losses of RM46.34 million).

DIVIDENDS

The Directors recommend the payment of a final dividend of 3 sen per ordinary share less 25% tax (2008: NIL), amounting to RM1.69 million. Subject to the approval of the members at the forthcoming Annual General Meeting of the Company on 11 May 2010, this will be paid on 28 May 2010 to members registered on the Company's register at the close of business at 5.00 pm on 12 May 2010.

PROSPECTS

The Board remains optimistic on the long-term prospects of the tin industry. The global tin market fundamentals have shown sustainable improvement. With steadily improving global demand, especially from China and an increasingly challenging supply-side difficulties, we believe the global supply/demand position will be in deficit in the absence of higher sustainable price levels. The Group, therefore, is positioning itself to increase its tin reserves and resources through investment in exploration and acquisition. It will also continue to focus on improving operating efficiency to sustain production level. Coupled with the expected continuing improvement in tin prices, the Group is cautiously optimistic that it would be able to achieve a better performance in 2010.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance to safeguard the interests of shareholders and stakeholders. The statement on corporate governance included in this Annual Report describes how the Company applies the principles of corporate governance in compliance with the Principles and Best Practices set out in the Malaysian Code on Corporate Governance.

INTERNAL CONTROL

The Board has overall responsibility for the Group's internal control and risk management systems and for reviewing their effectiveness. These procedures aimed to safeguard assets and ensure proper accounting records are maintained so that the financial information pertaining to the business and for publication are transparent and reliable. The risk management procedures are designed to manage key vulnerabilities. However, they cannot eliminate all the commercial risks and guarantee there will be no shortfall in achieving the business objectives.

Risk in today's world moreover is multifaceted. We are pleased to report that the Group has instituted an ongoing process for identifying, evaluating and managing the significant risks endemic to our industry. The Statement on Internal Control in this Annual

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

Report reports on the process now in place and is regularly reviewed by the Board and Board Committees.

ACKNOWLEDGEMENT

On behalf of the Board of Directors we would like to extend a special note of thanks to Ms Victoria Ko Miu Ha, who resigned from the Board on 8 April 2009, for her wise counsel and valuable contributions through her time as Director. We would like to welcome Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong, who joined the Board on 14 December 2009 and Mr Chew Kwee San and Mr Lim Sit Chen Lam Pak Ng, who joined the Board on 1 March 2010. We are sad that Mr Choi Siew Hong has chosen to retire at this coming AGM and shall miss him greatly. His high level of energy, as well as his deep sense of independence, is an inspiration for many. We thank Mr Choi for his invaluable contributions, wise counsel and unstinting support for the past 21 years of service. We wish him good health and a very happy retirement. We would also like to take this opportunity to thank the shareholders for their continued support and loyalty, as well as the management and the staff for their commitment, dedication and perseverance towards ensuring the success of the Group. Our heartfelt gratitude also goes to our customers, suppliers, bankers, business associates, all our stakeholders and the various relevant authorities for their cooperation and continued support. Finally, we would also like to record our appreciation to our colleagues on the Board for their invaluable contribution throughout the year.

NORMAN IP
Chairman

DATO' SERI DR. MOHD AJIB ANUAR
Group Chief Executive Officer/Executive Director

REVIEW OF STRATEGIC INVESTMENTS

BCD RESOURCES NL [22.12% interest]

CORPORATE

Beaconsfield Gold NL changed its name to BCD Resources NL in November 2009 to better reflect the expansion of the company's asset base beyond the Tasmania Mine at Beaconsfield. The company has an emerging copper development project at Stavely in western Victoria and a range of other copper and gold exploration prospects. This change represents an important step in the company's corporate evolution.

OPERATIONS AT TASMANIA MINE

For the financial year ended June 2009, BCD produced 70,178 ounces of gold, more than double that of the previous year. Revenue increased to AUD84.0 million (AUD31.4 million in 2008 financial year) at the back of higher gold production and gold prices which averaged AUD1,182 per oz. The mine operated profitably for the period and reported an operating cashflow and net profit of AUD17.0 million and AUD9.4 million respectively.

While the remote footwall drive mining introduced to safely mine the Western Zone of the orebody has proven to be effective, it is however very expensive and requires much more underground developments and waste removal. As a consequence, the average cash cost for the year ended in June 2009 was AUD934 per oz.

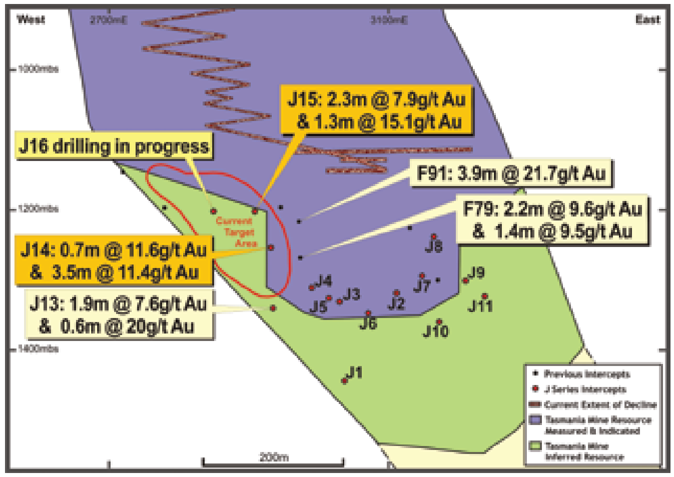
A new and enhanced remote mining method has been developed for trial in early 2010. The new method is expected to reduce underground developments significantly, improve productivity and lower production cost without sacrificing the safety aspects.

For the period from July to December 2009, BCD produced 33,995 oz of gold due to lower grade of the ore processed.

For 2010, management is focusing on improving gold production, reducing costs and increasing the reserves at the Tasmania Mine.

EXTENSION OF GOLD RESOURCE AT TASMANIA MINE

Drilling aimed at delineating more reserves at the 1,100 - 1,300 meter level below surface to double the mine life is now in progress. Results to-date are encouraging and have indicated strong continuity of mineralization beyond the western boundary and at depth. Latest results are shown in the plan.



Tasmania Mine Long Section showing recent drill holes and new Resource/Reserve boundaries

In January 2010, BCD announced a 37% increase in resources to 571,000 ounces, as at 31 December 2009. 85% of these resources are in the "Measured" and "Indicated" categories. Reserves were also increased by 37% to 285,000 oz, after allowing for mining depletion of 78,000 oz during 2009.

Category	Tonnes	Gold Grade (g/t)	Contained ounces
Measured Resource	510,000	12.6	206,000
Indicated Resource	757,000	11.6	281,000
Inferred Resource	189,000	13.8	84,000
Total Resource	**1,456,000**	**12.2**	**571,000**

Tasmania Mine Resources (including Reserves) at 31 December 2009

Category	Tonnes	Gold Grade (g/t)	Contained ounces
Proved Reserve	265,000	9.9	84,000
Probable Reserve	658,000	9.5	201,000
Total Reserve	**923,000**	**9.6**	**285,000**

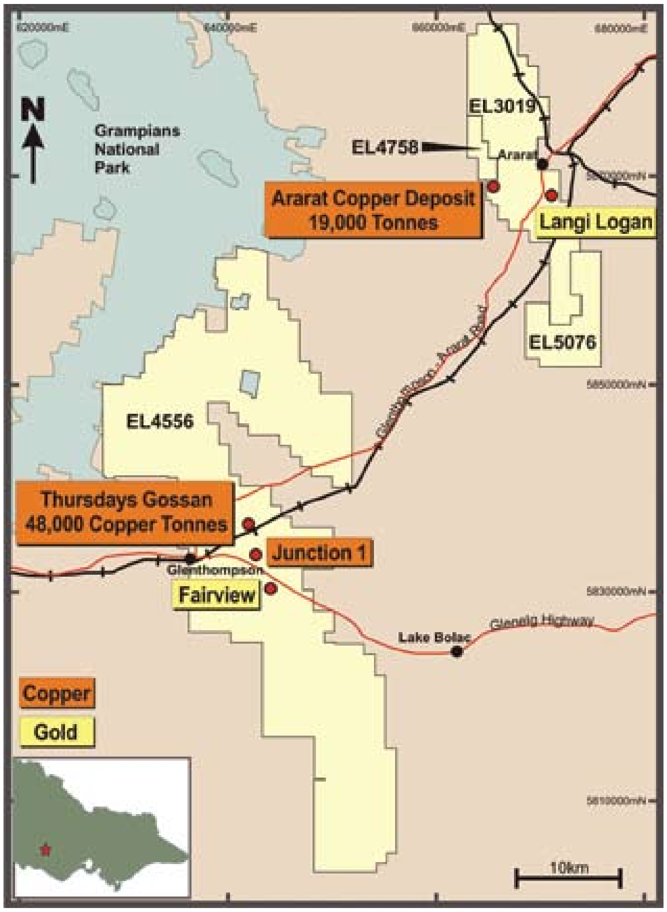
Tasmania Mine Reserves as at 31 December 2009

COPPER PROJECTS, WESTERN VICTORIA

BCD has defined a JORC Inferred Resource of 47,000 tonnes of contained copper (10.6 million tonnes at 0.45% Cu) in the wholly-owned Thursday Gossan oxide deposit. The Company is also earning a 75% interest in the nearby Mt Ararat copper gold deposit in which a JORC Inferred Resource of 19,000 tonnes of contained copper (0.7 million tonnes at 2.7% Cu) has been reported. BCD has consolidated its tenement holding to more than 1,300 square kilometers, over which good exploration data exists and has potential for more discoveries.

REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

BCD RESOURCES NL [22.12% interest] (cont'd)



Location diagram, Stavely and Ararat Projects, Western Victoria

With the rebound in copper prices, BCD is looking at various options to unlock the value of the copper assets. This will include floating of a copper focused company and joint-venture with overseas companies interested to offtake the copper concentrates.

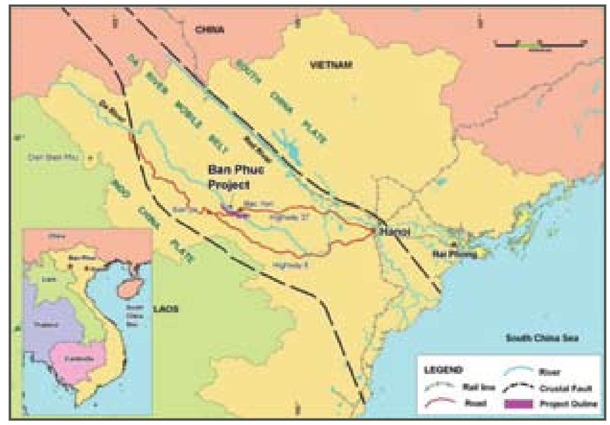
FINANCIAL

As at 31 December 2009, group cash stood at AUD10.3 million of which AUD4.6 million was reserved for mine employee entitlements. Gold bullion on hand was estimated at AUD1.8 million. The company has no bank debt and there are just AUD1.0 million of convertible notes, redeemable in 3 years. The gold production is unhedged.

REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

ASIAN MINERAL RESOURCES LTD [18.22% interest]

BAN PHUC NICKEL MINE PROJECT



Ban Phuc - Son La Province

The Ban Phuc Nickel Mines' (BPNM) Project at Son La Province remained under care and maintenance basis for the whole of 2009. Efforts during the year were focused on resolving the export ban and export tariff issues with the Vietnamese government and keeping the company and project in good standing.

On 19 May 2009, AMR announced that the Vietnamese Ministry of Industry and Trade (MOIT) had approved the export of nickel concentrates from the BPNM Project for a 5-year period commencing with the beginning of production. Under the previous approval, the export period will expire at the end of 2013. This is an important breakthrough and BPNM is hopeful that ongoing dialogues with the relevant authorities will lead to a reduction of the export tariff for nickel concentrates from the current 20% to a more realistic level.

Limited geological mapping and sampling were also undertaken over the massive sulphides exposed by underground access development excavated during 2008. Preliminary results indicated a zone within the massive sulphide mineralization which exhibited consistent platinum enrichment on both the east (3.62 g/t) and west (4.82 g/t) walls of the cross cut. This zone also carried elevated nickel and copper values. Further geological and metallurgical work will be required to determine whether these platinum grades will translate into payable quantities of Platinum Group Elements in the nickel concentrates.

- NI 43-101 resources of 40,820 tonnes of nickel
- Significant copper and cobalt mineralisation

Category	Ore Tonnes (000's)	Ni%	Cu%	Ci%	Ni Metal (tonnes)	Cu Metal (tonnes)	Co Metal (tonnes)
Proven & Probable	1,030	2.40	1.00	0.10	24,130	10,070	810
Measured & Indicated	1,268	2.57	1.16	0.08	32,595	14,712	977
Inferred	260	2.37	1.06	0.08	8,230	3,661	267

As approved by the Vietnamese Resources Council

The foregoing information relating to Mineral Resources is based on materials generated by the Qualified Person for N143-101 purposes, Dr Phillip L Hellman, FAIG, of Hellman & Schofield Pty Ltd.

Nickel prices rebounded from a low of USD9,200 per tonne during the first quarter of 2009 to close at USD18,800 per tonne at the end of the year. Further improvement will bode well for recommencement of the Ban Phuc Nickel Project once the export tariff issue has been resolved with the Vietnamese government.

Following the successful completion of a non-brokered private placement on 7 January 2010, raising CAD5.9 million (RM19.3 million), AMR/BPNM are now re-energizing the project. These will include trying to resolve the export tariff as soon as possible, updating the mining and financial model (including optimizing the development and production strategies using construction expertise and resources available in Vietnam) and securing the funding required to complete the project.

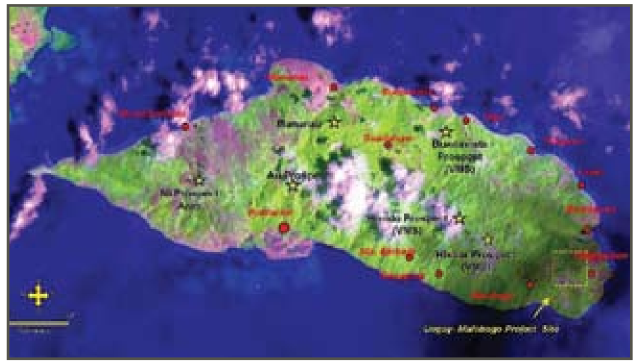
NON-BROKERED PRIVATE PLACEMENTS

AMR raised CAD1.055 million (RM3.2 million) and another CAD5.9 million (RM19.3 million) by private placements completed on 2 July 2009 and 7 January 2010 respectively. The second placement comprised 59 million units at CAD0.10 per unit. Each unit consisted of one common share and one whole warrant to purchase a common share at CAD0.15 within 12 months from its issue date.

MSC subscribed for both placements to maintain its 18.2% stake in AMR. For the second placement, The Straits Trading Company Ltd (STC) and The Tecity Group (holding company of STC) also subscribed for 19,250 million units. As a result, the MSC/STC group is now the largest shareholder of AMR (23.0%). Asian Lion also increased its stake to 13.6% while Dragon Capital's holding was diluted to 16.1%.

REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

RAPU RAPU POLYMETALLIC PROJECT (KM RESOURCES, INC.) [30% interest]



OPERATIONS

Rapu Rapu overcame the challenges of the first four months of 2009 when copper and zinc prices fell to record lows of about USD3,000 and USD1,100 per tonne respectively, well below production cost. The operating conditions began to improve from April when copper and zinc prices started their rebound and closed the year strongly at USD7,300 and USD2,500 per tonne respectively.

Efforts during the first half of 2009 were focused on re-commissioning the processing plant and refurbished various components as required to stabilize the flotation circuits to achieve the targeted metallurgical recoveries. These were achieved on a sustainable basis from June/July, well within the 12 month period targeted.

Rapu Rapu processed 665,644 tonnes of ore in 2009 to produce 27,000 tonnes of copper concentrates and 20,000 tonnes of zinc concentrates. The copper concentrates contained 6,487 tonnes of copper, 23,600 oz of gold and 321,500 oz of silver. About 10,000 tonnes of zinc were contained in the zinc concentrates.

To protect the operation and margin, a portion of the copper and zinc production for 2009 were hedged between late April and July at an average price of USD4,660 and USD1,564 per tonne respectively. Hence, the project did not enjoy the full benefit of higher metal prices in the second half of 2009.

AWARDS IN ENVIRONMENT CONTROL AND MINE MANAGEMENT

The mine achieved significant progress in its management of the environment. Two of Rapu Rapu employees received awards in 2009 for their outstanding efforts in pollution control and management.

The first award was given by the Pollution Control Association of the Philippines, Inc (PCAPI) to Ms Carmelita Pacis for being one of the outstanding pollution control officers in 2009.

The other award went to Mr Roger Corpus for being one of the Outstanding Mining Engineers for 2009 in the field of Mine Management. He was selected by the Philippines Mine Safety and Environment Association (PMSEA) for his role in the "transformation of an environmentally damaged mine into a well developed and environmentally responsible and efficient mining operation".

EXPLORATION AND DEVELOPMENT TARGETS

Exploration is now in progress at several prospective target areas in Rapu Rapu Island with the aim of finding more resources to extend the life of the mine.

The feasibility of mining the gold resource at Hixbar, about 3 km west of the current pit, is being assessed. Some 1.28 million tonnes of shallow oxidized material grading 1.59 g/t gold and 11.67 g/t silver and containing about 70,000 oz of gold equivalent have been delineated.

REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

RAPU RAPU POLYMETALLIC PROJECT (KM RESOURCES, INC.) [30% interest] (cont'd)

FINANCIAL

Rapu Rapu reported a sales revenue of USD49.7 million and profit after tax of USD1.63 million for 2009 calendar year.

The project was cash positive from June 2009. Prior to that, any short fall in operating expenses was funded by stockpile financing as provided under the terms of the Offtake Agreement.

Given the current higher metal prices and generally positive outlook, Rapu Rapu is expected to achieve strong profits for 2010.

CORPORATE

All the assets and interests of the joint venture had been transferred to a holding company registered in Labuan. To reflect the joint Korean and Malaysian ownership (70% Korean interest and 30% MSC), the company name was changed to KM Resources, Inc. The company had capitalized USD45.3 million of the USD48 million injected by the partners, leaving USD2.7 million as shareholders' loan. The shares were issued to MSC and the Korean at the end of December 2009.

The name of the Philippines holding entity of the group of companies that hold the MPSAs (Mining and Production Sharing Agreements), mining assets and processing plant in Rapu Rapu Island; viz. Lafayette Philippines, Inc (LPI); was also changed to Korea Malaysia Philippines (KMP) Resources, Inc.

REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

GUILIN HINWEI TIN COMPANY LIMITED (GHT) [35% interest]

In 2009 GHT refined tin production totalled 658 tonnes from its tin electro refinery plant.

GHT continued to operate under difficult and challenging conditions during the period under review. The impact of the global financial crisis during 2008/2009 was particularly felt in China during first half 2009. Although the worse of the crisis is generally accepted as over, GHT continued to operate below expectations due to funding issues.

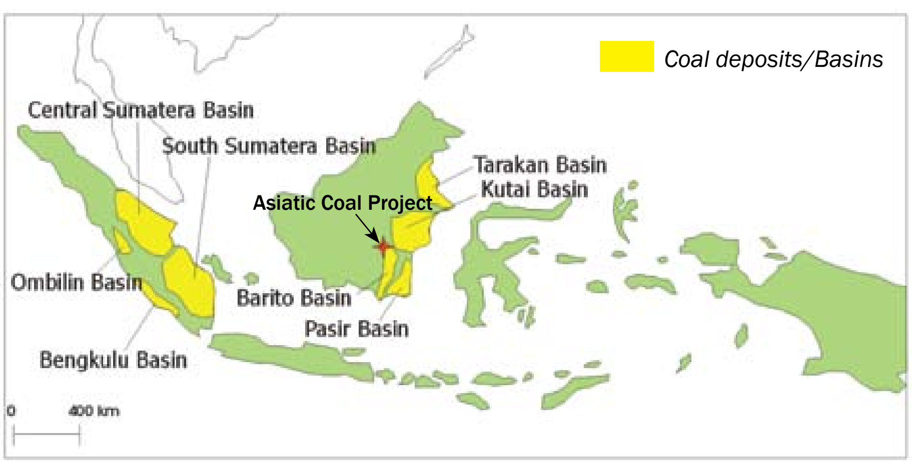
The JV Chinese party has not been able to fulfill certain obligations within a specific time frame for MSC to complete its capital injection into GHT. As a result, the JV partners of GHT are currently evaluating other alternatives.

ASIATIC COAL PTE LTD (ASIATIC COAL) [53% effective interest]

GEOLOGY AND COAL RESOURCE

The coal seams are found in sedimentary sequences which were deposited in the Barito Basin. Seven coal seams of significant thicknesses have been discovered to occur in the mining concession in two rock formations, the Warukin Formation and the Karamuan Formation. The concession area is structurally complex. Tight folding and closely spaced fault structures are observed and have been mapped.

From the available results of proximate analysis of coal samples, the coals in the Mining Concession can be described as high in ash, high energy, low moisture with moderate to high sulphur contents, whilst the coals in the adjoining Northern Concession are of high ash, moderate energy, low moisture and high sulphur contents.



Location of project within well-known Indonesian Coal Basins

Based on the results of 347 drillholes completed and the seven coal seams identified to occur within a belt approximately 3 kilometres in strike length, a coal resource of 2.75 million tonnes have been estimated todate in the Mining Concession. Within this coal resource, an estimated mineable coal reserve of 1.50 million tonnes have been delineated based on preliminary pit design.

REVIEW OF STRATEGIC INVESTMENTS (CONT'D)

ASIATIC COAL PTE LTD (ASIA COAL) [53% effective interest] (cont'd)

Mine development works and coal mining operations which commenced in late 2008 were suspended in May 2009 due to the sharp drop in coal prices as a result of the global financial crisis, and complex geology affecting continuity of the coal seams.

About 27,000 tonnes of coal were mined and stockpiled prior to suspension. Coal prices recovered during the second half of 2009 in tandem with global economic recovery. The first load of 4,340 tonnes was barged out for delivery in December.

Arrangements were also being made to recommence mining in the second quarter of 2010. Offtake agreements for the coal to be mined, estimated at 240,000 tonnes for 2010, had also been signed.

AUSTRALIA ORIENTAL MINERALS NL (AOM) [76.91% interest]

AOM continued its joint venture exploration activities in both New South Wales and Queensland.

MOUNT MACKENZIE PROJECT, QUEENSLAND

Following the drilling programme and detailed magnetic survey in 2008, Newcrest Mining Limited ("Newcrest") carried out analysis of the soil data in conjunction with known prospects and TMI helimagnetics and completed a field reconnaissance trip to the Mount Mackenzie project in early 2009. However in May 2009, Newcrest decided to withdraw from the joint venture as the Mount Mackenzie prospect does not fit their target criteria. Following Newcrest's withdrawal, the project reverted to the provisions of the original Connors Arch JV with equity levels at 60%/40%: SmartTrans Holdings Limited ("SmartTrans")/AOM and both parties are contributing to their equity.

The company believes that there is significant potential for smaller high grade deposits at Mount Mackenzie. Such deposit may suit other mining companies and expressions of interests will continue to be sought from a number of active Australian miners and explorers for the project.

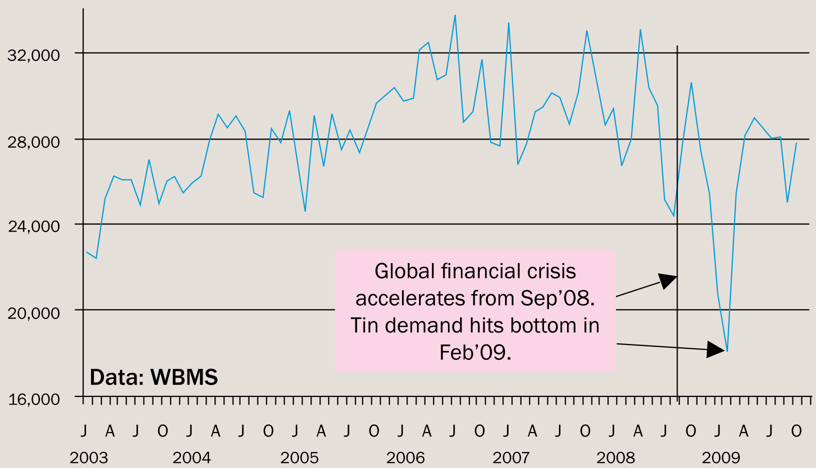
In August, the company successfully completed its rights issue. Out of the funds raised, AUD5.47 million was used to repay its outstanding loan to MSC and to fund exploration and development opportunities within Australia and overseas. Pursuant to the rights issue, the company became a subsidiary of the MSC which now holds 76.91% interest in AOM compared to 42.7% previously.

REVIEW OF THE GLOBAL TIN INDUSTRY 2009

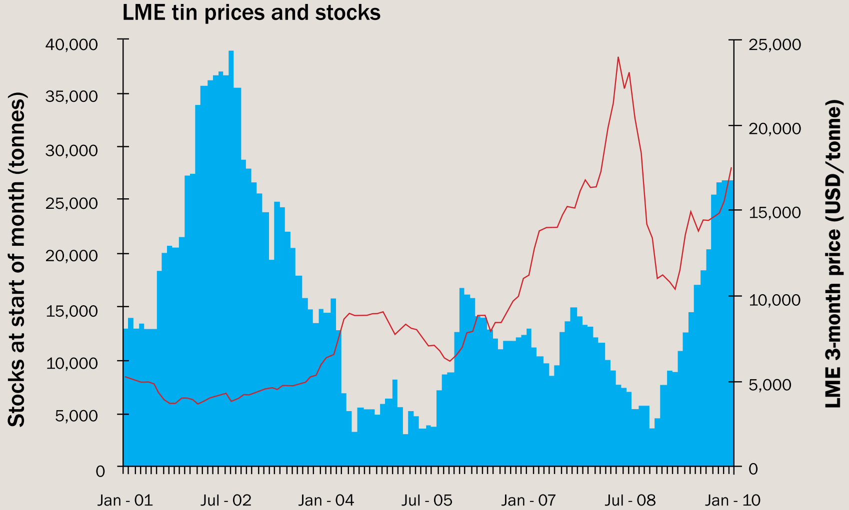
World tin prices rebounded strongly in 2009, rising by about 60% over the course of the year from the cyclical low of under USD10,000/tonne reached in the last few days of 2008. In the first few weeks in 2010 the London Metal Exchange (LME) price has increased further to over USD17,000/tonne.

Meanwhile tin consumption, which had been sharply reduced by the acceleration of the global financial crisis from September 2008, hit bottom in the first quarter of 2009 and then also revived over the remainder of the year. Thus by the end of 2009 the tin business looked much healthier than it did at the beginning of the year, and industry participants could be cautiously optimistic about prospects for the year ahead.

Financial crisis hits tin demand



LME tin prices and stocks



REVIEW OF THE GLOBAL TIN INDUSTRY 2009 (CONT'D)

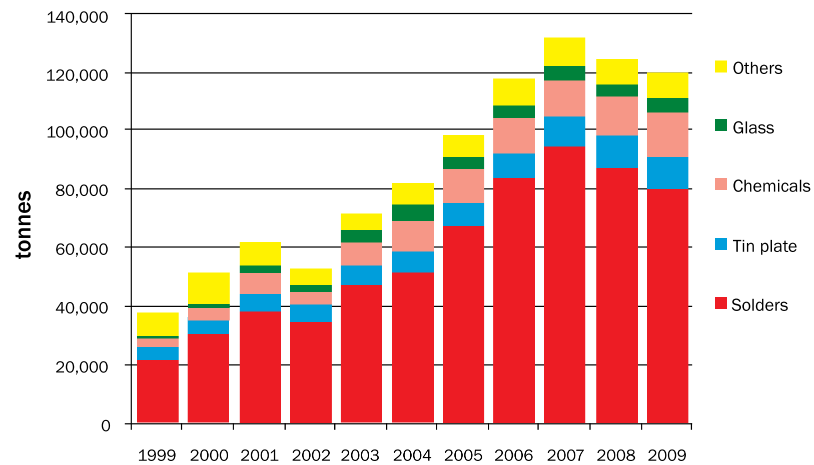
MARKET DRIVERS

There are five main factors which have driven tin prices in the recent past and which will determine the outlook for the market in coming years:

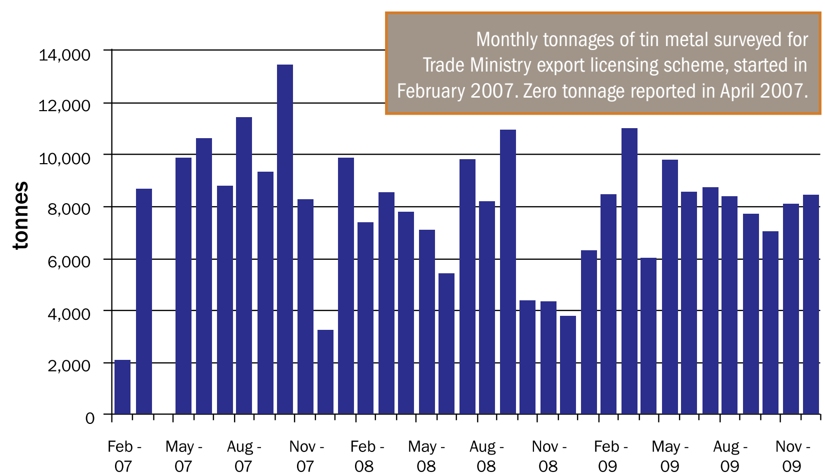
1. **Industrial usage** in electronics, packaging, construction, transport and other applications. Rapid growth in consumption up to 2006/2007 was a major positive factor, but the recession of 2008/2009 knocked growth badly off course. A revival has begun, but it is difficult to tell whether this will accelerate or stall in 2010;

2. **China** is by far the world largest tin-using national market and is also the biggest producer. It became a net importer at the end of 2007 and the continuing growth of the Chinese economy recently has been a major supportive factor. Meanwhile Chinese tin mine production has stagnated for most of the last decade;

3. With China a net importer, **Indonesia** is the largest supplier of tin to the rest of the world, and Indonesian output is declining. 2009 tin metal production is estimated at 97,000 tonnes (of which about a third went for final refining to Malaysia, Thailand and China) while mine output is likely to be less than 90,000 tonnes. These figures compare to peak levels of close to 140,000 tonnes in 2005 and this could be a strong indication that small scale production is declining fast as easily accessible tin resources are becoming scarce.



China's huge tin market



Indonesian export volumes

4. **Investment funds** have poured billions of dollars into commodity markets in recent years. Only a very small proportion of this has gone into tin, but the money involved is still large in relation to the size of the tin market. Fund buying has probably been the major factor pushing up tin and other commodity prices over the last year and contributing to price volatility as well.

5. While investor buying has been a key feature in futures markets, there is little real long term investment in new tin supply. Hardly any **new mines** have started up in recent years or are likely to do so in the next 3 - 4 years. In addition, the industry has been greatly dependent on small scale production to meet demand and this source is not sustainable at current production levels. All these could result in serious supply problems – and higher prices – once world consumption returns to its long term growth trend and current surplus stocks are used up.

REVIEW OF THE GLOBAL TIN INDUSTRY 2009 (CONT'D)

WORLD SUPPLY/DEMAND POSITION IN 2009 AND 2010

The tables show ITRI's estimates of world production, consumption and stocks in recent years and forecasts for 2010. The key feature here is that, after a period of strong growth from the late 1990s, world consumption has been much weaker in 2008 and 2009, falling by about 15% over the two years. This resulted in a supply surplus of over 20,000 tonnes last year, most of which was added to LME stocks. Although demand should be better this year, it looks likely that stocks could increase further.

The fall in world demand in 2009 was mainly due to the acute weakness of the electronics sector in the first half. Sales of solders – which account for more than a half of tin usage – fell by over 40% in the first quarter and some consumers in Asia were reporting 50 – 70% falls in demand as the entire supply chain emptied out inventories. In the second half demand has recovered in both solders and tin chemicals, while tinplate business has remained relatively steady throughout the recession. A rise in world demand of around 5% is forecast in 2010, although prospects for the world economy are still uncertain due to continuing high levels of public and consumer debt.

China now accounts for almost 40% of world tin usage. While its growing importance until recently has been mainly due to exports of consumer electronics and other products, growth in the domestic market will feature larger in the future. The government's economic stimulus package has included subsidies on the purchase of household electrical and electronic goods by the country's huge rural population, while the growth of the construction and packaging sectors is supporting tin use in tinplate, chemicals and float glass. Chinese tin producers have expanded smelting and refining capacity to match the growth in the market, but find it increasingly difficult to secure tin ore and scrap.

WORLD PRODUCTION AND CONSUMPTION OF REFINED TIN

('000 tonnes)	2006	2007	2008	2009	Forecast 2010
Production					
China	131.0	144.0	122.0	130.0	125.0
Indonesia*	83.6	78.0	67.1	64.3	65.0
Malaysia	22.3	25.5	31.6	36.4	33.0
Thailand	27.8	19.8	21.7	19.3	18.0
Bolivia	13.5	12.3	12.7	15.0	16.0
Brazil	8.8	10.2	10.8	9.5	10.0
Peru	41.0	35.9	38.0	33.9	36.0
Belgium	8.0	8.4	9.2	8.7	9.5
Russia	3.2	2.5	1.4	0.7	1.0
Other	14.5	8.5	7.2	8.0	9.0
Total World	**354.3**	**345.0**	**321.7**	**325.8**	**322.5**
Consumption					
China	118.5	132.0	125.1	120.1	125.0
Japan	38.5	34.2	32.2	24.0	26.0
Other Asia	67.7	63.6	62.7	54.5	57.0
USA	44.8	34.1	31.2	28.9	29.0
Other Americas	17.9	18.7	18.9	16.8	18.0
Europe	72.3	70.3	66.5	55.5	60.0
Other	3.9	3.3	3.4	3.0	3.0
Total World	**363.7**	**356.2**	**340.0**	**302.8**	**318.0**

Data: ITRI

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

WORLD SUPPLY/DEMAND BALANCES IN REFINED TIN

('000 tonnes)	2006	2007	2008	2009	Forecast 2010
World					
World Refined Production	354.3	345.0	321.7	325.8	322.5
DLA Sales	9.3	7.7	3.7	0.0	0.0
World Refined Consumption	363.7	356.2	340.0	302.8	318.0
Global Market Balance	**-0.1**	**-3.5**	**-14.6**	**23.0**	**4.5**
Reported stocks					
LME	13.0	12.2	7.8	26.8	27.0
Producers	10.1	9.5	12.2	14.0	15.0
Consumer/Other	12.6	13.7	12.5	12.0	12.5
Total	**49.7**	**35.4**	**32.4**	**52.8**	**54.5**
World Stock Ratio (weeks consumption)	7.1	5.2	5.0	9.1	8.9

Data: ITRI

REVIEW OF THE GLOBAL TIN INDUSTRY 2009 (CONT'D)

WORLD SUPPLY/DEMAND POSITION IN 2009 AND 2010

The tonnage of tin checked prior to export under the Indonesian trade ministry's export licensing scheme amounted to 99,287 tonnes in 2009, up by 12.6% on the previous year. However, this figure was inflated by the shipments of stocks held over from the final quarter of 2008 and a major run-down in inventories of metal, concentrates and slag held by PT Timah and, to a lesser extent, PT Koba. From August onwards a new crackdown on illegal mining by the national police restricted output by small mines and many private smelters. Onshore small-scale mining activity on the main tin islands continues to decline, although both PT Timah and private companies are investing in new mine capacity, mainly offshore. On balance, however, total production is likely to continue to decline steadily.

LEADING TIN COMPANIES

(Production, tonnes refined tin)

Company	2006	2007	2008	2009	% of change
Yunnan Tin (China)	52,399	61,129	58,371	55,898	-4.5%
PT Timah (Indonesia)	44,689	58,325	49,029	45,800	-6.6%
Malaysia Smelting Corp	22,850	25,471	31,630	36,407	15.1%
PT Koba Tin (Indonesia)	20,930	7,724	7,109	7,455	4.9%
Total MSC Group	**43,780**	**33,195**	**38,739**	**43,862**	**13.2%**
Minsur (Peru)	40,977	35,940	37,960	33,920	-10.6%
Thaisarco (Thailand)	27,828	19,826	21,731	19,300	-11.2%
Yunnan Chengfeng (China)	21,765	17,064	13,500	14,947	10.7%
EM Vinto (Bolivia)	11,304	9,448	9,544	11,805	23.7%
Liuzhou China Tin (China)	13,499	13,193	12,037	10,500	-12.8%
Metallo Chimique (Belgium)	8,049	8,372	9,228	8,690	-5.8%
Gejiu Zi-Li (China)	8,990	8,234	7,000	5,600	-20.0%
Gold Bell Group (China)	4,696	8,007	3,100	4,650	50.0%

Data: ITRI

THE PRICE OUTLOOK

The combination of reviving demand and supply constraints in China and Indonesia will help underpin tin prices this year, although the high level of LME stocks is an important negative factor. Recent surveys of price forecasts by metals analysts show predictions of the annual average LME price in 2010 in a range between roughly USD13,000/tonne and USD20,000/tonne, averaging just under USD16,000/tonne. This compares with a 2009 average LME cash settlement price of USD13,592/tonne. Which, if any, of these forecasts will prove correct depends on the global financial markets as much as the tin supply/demand factors described above.

CORPORATE SOCIAL RESPONSIBILITY

At MSC Group, we are firm believers in the triple bottom line – People, Planet, Profit. It is our belief that the successful sustainability of a business is dependent in its ability to include public interest into the corporate-decision making of a business.

As such, we strive to integrate Corporate Social Responsibility into our business model. We closely monitor the impact of our activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere and try to proactively promote public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere.

To attain the above objectives, we practise an Integrated Management System with the adoption of quality management standards covering all areas of responsibility including social, environmental, occupational health and safety aspects. Standard operating procedures, training programmes and regular audit schedules are being practised with the aim of achieving continual improvement in all areas of activities.

LOCAL COMMUNITY

Fully cognisant of the fact that the way we operate affects the community in which we operate and that we do not do business in isolation, we ensure that we have meaningful engagements with various sectors of the community where our operations are located vide a variety of means such as:

- company-community relationship through various social, welfare, religious and cultural programmes.
- socio-economic activities that have impact on the well-being of the local community through spin-off opportunities with emphasis on sustainability of these activities over the long-term.
- infrastructure and other physical development that enhance the quality of life and mobility of local community.

In view of the large areas of operation of the Group and variations in demography in terms of age group, culture,

Our key CSR initiatives are focussed in four main areas, namely:

HUMAN RESOURCES

At the heart of any company lies its employees. Socially responsible employees make for a socially responsible company. Therefore we instil and foster a culture of corporate social responsibility that pervades the Group's operations at every level, from simple notions of implementing green practices to assist in environmental waste reduction such as encouraging recycling of paper, cans and bottles to collecting foods for the needy and engaging employees in the Group's effort to help the community at large. Basically, we encourage our staff to be at the forefront of ethical and socially responsible behaviour.

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

vocation and economic conditions in each community, the adoption of community development programmes need to suit the particular local community needs. The main focus for our community development projects is that they ought to have long term far-reaching beneficial impact to the particular community.

Some of the community development programmes undertaken by the Group for the year 2009 were as follows:

- youth training programmes in various areas of vocation including business/administration, engineering, workshop practice, aquaculture, farming;
- assistance with construction of community halls, sports facilities and religious buildings;
- building of infrastructure to assist with the mobility and accessibility of the local community;
- cooperation with the local government, community, employees and their families for sustainable economic development to improve quality of life especially in areas relating to agriculture and plantation in areas no longer required for mining;

CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

- assistance in arts and cultural and sporting activities in order to enhance accomplishment of the local community in these activities;
- greater commitment toward continual improvements in safety, health and environmental performance that have direct positive impact on the local community.

A noteworthy effort that we are especially proud of is the sponsorship of an outing for selected art students and their teachers from Sekolah Menengah Pendidikan Khas Persekutuan, the Penang school for students with speech and hearing impairment, to visit the company's smelting facility in Butterworth and mining operation in Rahman Hydraulic Tin Sdn. Bhd. Paintings drawn of the various aspects of the Company's operations by these students formed the artwork for our corporate calendar for 2010 with the theme "Towards a caring and sharing society".

SAFETY AND HEALTH

Occupational health and safety not only contributes to corporate goals but also plays a part in the social and ethical role of the organisation. We inculcate the culture of safety, health and environmental consciousness in all areas of operations within the Group and provide and maintain safe systems of work, make arrangements for ensuring the safe use, handling, storage and transport of equipment and substances as well as provide necessary information, instruction, training and supervision to all employees.

Our Groupwide occupational health and safety programme comprises:

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

At the mine site or in the compound of the smelter, the Group ensures that it has comprehensive safety and health facilities including clinic with in-house medical doctor and assistants, fire-fighting team together with relevant equipment which are always in the state of readiness for response. Dissemination of information concerning safety and health at workplace is an ongoing exercise at the Group.

Continuous improvement of the occupational health and safety programmes is carried out by way hazard identification systems, rigorous monitoring and effecting improvements.

ENVIRONMENT

Operating in the resource industry, the MSC Group is mindful of safeguarding the environment, now and for future generations. We are only too aware that mining operations leave significant impact on natural environment, more so than in any other industry – yet without mining, the modern world as we know today, would cease to exist. We seek to achieve a delicate balance by responsible environmental management at all our mining and smelting operation sites.

The land reclamation and rehabilitation programmes by the Group provides for long term environmental stability and economic post mining land-use. At the Company's subsidiary, PT Koba Tin, an average of 600 hectares per year is cultivated with mixed plantings of plantation and local forest species. As part of the mine closure programme, the subsidiary pursues programmed relinquishment of land no longer required for mining operation and rehabilitation of disused mining pools for fresh water supply and aquaculture and other related activities. Similarly at RHTSB, the subsidiary works very closely with the Department of Environment on matters concerning treatment of effluent discharge from mining operations and rehabilitation of ex-mining areas. The ultimate goal is to assist in creating a self sustaining and healthy community when the mines have ceased operations.

The Company, as a co-founder and Board member, continues to support ITRI Ltd., an international tin organization that, amongst other things, rigorously pursues R&D particularly in the area where tin can be used to replace toxic substances contained in many of today's industrial applications. Tin has been touted as a "green metal" and its contribution to the environment through the replacement of toxic substances is immeasurable.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is pleased to submit the following statement which describes the Company's corporate governance practices in place for the financial year ended 31 December 2009.

The Board of Directors fully subscribes and supports the Malaysian Code on Corporate Governance (Revised 2007) (the "Code") and the relevant provisions in the Main Market Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Accordingly, the Board considers corporate governance to be synonymous with three key concepts, namely transparency, accountability and integrity.

STATEMENT OF PRINCIPLES

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of:

A. Board of Directors;
B. Directors' Remuneration;
C. Shareholders; and
D. Accountability and Audit.

A. BOARD OF DIRECTORS

Board Responsibilities

The Board is aware of its responsibility to provide direction and guidance in overseeing the affairs of the Company and its subsidiaries (the "Group"). To fulfil its responsibility, the Board sets the strategic direction of the Group, establishes goals and monitors accomplishment of these goals, identifies principal risks faced by the Group and ensures the implementation of systems to manage these risks, establishes succession planning, develops an investor relations programme and reviews the adequacy and integrity of internal control systems.

Board Committees

Four committees function as proxies of the Board in carrying out its core functions, namely the Executive Committee, an Audit Committee, a Remuneration Committee and a Nominating Committee. These Board committees, with their own terms of reference, deliberate on matters particular to their functions and the Chairmen of the committees report to the Board the outcome of such deliberations.

Board Executive Committee (EXCO)

The EXCO's role is to focus on executive management and optimising operational performance of the Group. However, due to the Board's small size for most part of the year ended 31 December 2009 comprising only six (6) members, the Board decided that all matters be deliberated at Board meetings. The EXCO would be revived when deemed necessary.

Meetings

The Board convenes at least four (4) meetings a year at quarterly intervals, with additional meetings called in response to urgent issues or when crucial decisions are needed. During the financial year ended 31 December 2009, the Board met on thirteen (13) occasions, where it considered, amongst others, financial results, investment decisions, appointment and reappointment of Directors and the overall business direction of the Group.

Board papers, if necessary, are circulated to the directors prior to each meeting of the Board or its committees. Deliberations are recorded with the minutes thereof confirmed by the Chairman of the meeting.

A. BOARD OF DIRECTORS (CONT'D)

Meetings (cont'd)

Details of Directors' attendances at meetings of the Board during the financial year under review are as follows:

Director	Meetings
Mr Norman Ip Ka Cheung	13/13
Mr Choi Siew Hong	13/13
Dato' Seri Dr Mohd Ajib Anuar	13/13
En Razman Ariffin	13/13
Ms Victoria Ko Miu Ha (resigned on 08/04/2009)	3/3
Mr Yeo Eng Kwang	12/13
Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong (appointed on 14/12/2009)	-

Board Balance

At the date of this statement, the Board consists of eight members, comprising three Independent Non-Executive Directors, one Executive Director and four Non-Independent Non-Executive Directors.

Each Director brings to the Board an area of expertise, e.g. skills in finance, operations, governmental affairs, etc., and the directors collectively provide the Board with the ability to guide the Group on an effective basis.

A summary of each Director's background is presented on pages 10 to 13 of this Annual Report.

A clearly accepted division of responsibility is demonstrated by the separate roles of the Chairman, Mr Norman Ip Ka Cheung and the Group Chief Executive Officer, Dato' Seri Dr Mohd Ajib Anuar. The Company's Board Charter formalizes and assigns different responsibilities to both the Chairman and the Group Chief Executive Officer, with the Chairman running the Board and ensuring all Directors are provided with information necessary for decision making and the Group Chief Executive Officer overseeing executive management of the Group's affairs and implementing strategies and policies adopted by the Board.

Pursuant to Best Practice AA VII of the Code, the Board has identified Mr Choi Siew Hong as the Senior Independent Non-Executive Director, to whom concerns of Directors, shareholders, Management and others may be conveyed.

The Board is of the view that its current composition fairly reflects the investments of the shareholders in the Company.

Supply of Information

The Directors receive information relating to financial and operational performance through board papers which are furnished to them prior to the meetings. This practice enables the Directors to seek clarification and explanation, if necessary, from the relevant Management personnel or fellow Directors.

Each Director is also allowed unhindered access to the advice and services of the Company Secretary, of whom the Board believes to be competent in the performance of her duties. The Company's Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

As for obtaining independent professional advice, the Board as a whole will determine, whether as a full Board or in the Director's individual capacity, to take this measure where necessary and under appropriate circumstances in the advancement of its duties. Such advice, if obtained, will be at the Company's expense. Nevertheless, where necessary and under appropriate circumstances, any Director may do so with the prior consent and approval of the Chairman of the Board.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

Appointments to the Board

Nominating Committee

The Nominating Committee, during the financial year ended 31 December 2009, comprised the following members:

Director		Meetings
Mr Choi Siew Hong	- Chairman, Independent Non-Executive Director	3/3
En Razman Ariffin	- Independent Non-Executive Director	3/3
Mr Norman Ip Ka Cheung	- Non-Independent Non-Executive Director	3/3

The Nominating Committee's mandate, expressed through its terms of reference, is to bring to the Board recommendations on the appointment of new Directors. The Nominating Committee also analyses the structure, size and composition of the Board vis-à-vis the Company's requirement and considers the issue of succession planning for senior Board members. The Nominating Committee assesses the effectiveness of the Board, Board Committees and the contribution of each individual Director on an annual basis.

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

Appointment Process

The Nominating Committee meets annually with additional meetings convened whenever the need arises (three (3) meetings were held during the year in review). During the year, the Committee met to deliberate on the retirement by rotation of Directors and their eligibility for re-election at the Company's Annual General Meeting.

The Committee also recommended for the Board's approval the appointment of new Directors after due evaluation and upon satisfaction of all legal and regulatory obligations. In making its recommendations, the Nominating Committee would consider the candidate's skills, knowledge, expertise, experience, professionalism and level of integrity. For the consideration of Independent Non-Executive Directors, the Nominating Committee also evaluated their ability to discharge responsibilities or functions as expected of Independent Non-Executive Directors.

Directors' Training

The Board, through the Nominating Committee, ensures that recruits to the Board are individuals of calibre, with the necessary experience and knowledge to meet the expectations of the Board.

During the financial year ended 31 December 2009, site visits were made by Directors to enhance their understanding of the Group's operations including the Company's smelter operations at Butterworth. Where necessary, the Directors would attend training programmes run by service providers to enhance their skills and knowledge.

All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad.

A. BOARD OF DIRECTORS (CONT'D)

Directors' Training (cont'd)

Details of training courses attended by members of the Board during the financial year under review are as follows:

Director	Nature of course
Mr Norman Ip Ka Cheung	• Corporate Governance Guide – Towards Boardroom Excellence • In-house Training on New Indonesian Mining Laws
Mr Choi Siew Hong	• Governance and Audit Update on Risk, Control and Audit of Outsourced Services • Corporate Governance Guide – Towards Boardroom Excellence • In-house Training on New Indonesian Mining Laws • Evening Talks on Corporate Governance – Directors Duties by Malaysian Bar Council • Forum on FRS 139 Financial Instruments: Recognition and Measurement • Corporate Responsibility (CR) Overview & Identifying CR Risks and Opportunities for Companies
Dato' Seri Dr Mohd Ajib Anuar	• Corporate Governance Guide – Towards Boardroom Excellence • In-house Training on New Indonesian Mining Laws
En Razman Ariffin	• Corporate Governance Guide – Towards Boardroom Excellence • In-house Training on New Indonesian Mining Laws • Corporate Compliance Forum – Understanding & Applying the Right Tools to Develop Long Term Corporate Compliance Initiatives • Remuneration Committee Workshop: Executive Compensation Issues – Employment Contract, Severance and Change-in-Control Arrangements
Ms Victoria Ko Miu Ha (resigned on 08/04/2009)	• Nil
Mr Yeo Eng Kwang	• Corporate Governance Guide – Towards Boardroom Excellence • In-house Training on New Indonesian Mining Laws
Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong (appointed on 14/12/2009)	• Mandatory Accreditation Programme

Re-election to the Board

The Company's Articles of Association require all Directors of the Company to be subject to retirement, and at least one third of the Board shall retire by rotation at each Annual General Meeting of the Company, providing an avenue to the shareholders to renew their mandate. The Directors to retire in each year are those who have been longest in office since their appointment or reappointment.

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

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee, during the financial year ended 31 December 2009, comprised the following members:

Director		Meetings
Mr Norman Ip Ka Cheung	Chairman, Non-Independent Non-Executive Director	2/2
Mr Choi Siew Hong	Independent Non-Executive Director	2/2
Dato' Seri Dr Mohd Ajib Anuar	Executive Director	2/2

B. DIRECTORS' REMUNERATION (CONT'D)

Remuneration Committee (cont'd)

The Remuneration Committee's main responsibility is to review and recommend an appropriate remuneration framework for executive Directors and senior management staff, including their salary packages.

In deciding on an appropriate framework and the corresponding levels of remuneration, the Committee considered views of consultants and evaluated comparative data from companies in similar industry. The Executive Director, as a member of the Committee, did not participate in any way in determining his individual remuneration. Similarly, whilst the Board, as a whole, determines the remuneration of Non-Executive Directors, the individual Director concerned is abstained from the decision in respect of his remuneration. The Remuneration Committee is of the view that a remuneration package necessary to attract, retain and motivate Directors of the calibre required to oversee or manage the business of the Company is necessary.

The Company remunerates each Director an annual fee (subject to approval by shareholders at the Annual General Meeting), and where applicable, attendance fees.

Details of the nature and amount of each major element of the remuneration of Directors of the Company, for the financial year ended 31 December 2009, are as follows:

Category	Fees (RM)	Salaries and Other Emoluments (RM)
* Executive Director	27,000	26,013
Non-Executive Directors	287,000	-

The number of Directors whose remuneration fell within the following bands is shown below:

Range Of Remuneration	Executive Director	Non-Executive Directors
RM50,001 to RM100,000	–	3
RM50,000 and below	1	2

* The Group Chief Executive Officer/Executive Director received his remuneration from Straits Resource Management Private Limited (SRM), a corporation which provided management, technical and financial services to the Company.

C. SHAREHOLDERS

The primary channels of communication to the Company's stakeholders are the holding of general meetings, announcements to the stock exchange, publishing of annual report and ad hoc communication, as necessary.

The quarterly and full financial results and the annual report of the Company are available on the website of the Company and Bursa Securities.

In addition, the shareholders also can obtain up-to-date information on the Group's activities at the Company's website at www.msmelt.com.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Audit Committee, in discharging its financial oversight role, reviews the financial reporting process and the integrity and quality of information produced by the reporting process.

Financial results, analysis thereof and outlook are communicated to stakeholders by way of audited financial statements and the Statement by the Chairman and Group Chief Executive Officer on an annual basis, and by quarterly announcements to Bursa Securities.

D. ACCOUNTABILITY AND AUDIT (CONT'D)

Directors' Responsibility Statement in respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group and of the Company give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with.

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

- assets of the Company are safeguarded against loss from unauthorised use or disposition; and

- all transactions are properly authorised and that they are recorded as necessary to enable the preparation of true and fair income statements and balance sheets and to give a proper account of the assets.

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

State of Internal Controls

The Statement on Internal Control furnished on pages 44 and 45 of this Annual Report provides an overview of the state of internal controls within the Group during the financial year ended 31 December 2009.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 39 and 40 of this Annual Report.

A summary of Audit Committee activities during the financial year ended 31 December 2009, including the evaluation of the audit process, is set out in the Audit Committee Report on pages 41 to 43 of this Annual Report.

E. STATEMENT OF COMPLIANCE

The Group has complied, throughout the financial year ended 31 December 2009, with all the Best Practices of corporate governance set out in Part 2 of the Code.

This statement was made in accordance with a resolution of the Board of Directors dated 29 March 2010.

AUDIT COMMITTEE

Terms of Reference

The primary function of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") to fulfil its fiduciary responsibilities. The authority, functions and duties of the Committee shall be extended to Malaysia Smelting Corporation Berhad (the "Company") and its subsidiary companies (the "Group").

1. Composition

The Board shall elect and appoint Committee members comprising no fewer than three (3) Directors. All Committee members shall be Non-Executive Directors who are financially literate, the majority of whom shall be Independent. In this respect, the Board adopts the definition of "independent director" under the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), which also stipulate that at least one member of the Committee:

(i) must be a member of the Malaysian Institute of Accountants ("MIA"); or

(ii) if he is not a member of MIA, he must have at least three (3) years of working experience, and:

- he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
- he must be a member of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967;

(iii) must have at least 3 years' post qualification experience in accounting or finance;

- has a degree/master/doctorate in accounting or finance; or
- is a member of one (1) of the professional accountancy organization which has been admitted as a full member of the International Federation of Accountants; or

(iv) must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or

(v) fulfils such other requirements as prescribed or approved by the Bursa Securities.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

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

2. Quorum and Committee's procedures

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

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

In order to form a quorum for a meeting, the majority of members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated at least one (1) week before each meeting to members of the Committee. The proceedings and minutes of all Committee meetings shall be duly recorded and circulated to all members of the Board.

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

3. Authority

The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and employees are directed to co-operate with any request made by the Committee. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice if it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

4. Responsibilities and Duties

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

- Review the Audit Committee's Terms of Reference as conditions dictate;
- Review with the External Auditors, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- Review performance of Internal Auditors, who will report functionally to the Audit Committee, on an annual basis, approve any appointment or termination of senior staff members of the internal audit function and take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified;
- Review major audit findings and Management's response during the financial year with Management, External Auditors and Internal Auditors, including the status of previous audit recommendations;
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- Review the independence and objectivity of the External Auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money;
- Review the appointment and performance of External Auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- Review the Internal Audit Charter, budget and staffing of the Internal Audit Department;
- Review the adequacy and integrity, including effectiveness, of internal control systems, management information system, and the Internal Auditors' and/or External Auditors' evaluation of the said systems;
- Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports and Management's response on any major defalcations, frauds and thefts;
- Review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
  - changes in or implementation of major accounting policies and practices;
  - significant adjustments or unusual events;
  - going concern assumptions; and
  - compliance with accounting standards and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, the Listing Requirements of Bursa Securities and other legislative and reporting requirements;
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on Management's integrity;
- Prepare reports, at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities;
- Review and evaluate the adequacy and effectiveness of risk management system instituted within the Group; and
- Any other activities, as authorised by the Board.

AUDIT COMMITTEE REPORT

Membership

The directors who have served as members of the Audit Committee (the "Committee") during the financial year ended 31 December 2009 and as at the date of this report are:

Director	
Mr Choi Siew Hong	Chairman, Independent Non-Executive Director
Mr Norman Ip Ka Cheung	Non-Independent Non-Executive Director (Fellow of the Institute of Chartered Accountants, England and Wales)
En Razman Ariffin	Independent Non-Executive Director

Each member of the Committee is financially literate and has extensive years of relevant industry experience and a brief profile of each of the Directors is presented on pages 10 to 13 of this Annual Report.

Terms of Reference

The Committee was established on 30 August 1994 to act as a Committee of the Board of Directors, with the written terms of reference set out on pages 39 to 40 of this Annual Report.

During the financial year, the Board reviewed and revised the terms of reference of the Committee to conform to regulatory requirements.

Meetings

The Committee held six (6) meetings during the year ended 31 December 2009. Details of the members' attendances are as follows:

Director	Meetings
Mr Choi Siew Hong	6/6
Mr Norman Ip Ka Cheung	6/6
En Razman Ariffin	6/6

Meetings were appropriately structured through the use of agenda, which were distributed to members with sufficient notification.

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

Continuous training and engagement

All the members of the Committee have attended relevant training seminars and programmes to enhance their competency in fulfilling their functions and duties more effectively, the details of which are set out on page 36.

During the financial year, the Committee Chairman regularly engaged with Group Chief Executive Officer and External Auditors by way of telephone conversations and attending ad-hoc meeting, 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 of the Committee during the financial year under review

The Committee carried out its duties in accordance with its terms of reference during the financial year ended 31 December 2009. The main activities undertaken by the Committee were as follows:

- Reviewed with the External Auditors:
  (a) Scope of work and annual audit plan for the financial year before the audit commences;
  (b) The audited financial statements of the Group and the Company prior to submission to the Board for consideration and approval;
  (c) The management letter, including Management's response and the evaluation of the system of internal controls; and
  (d) Met with the external auditors twice (2) during the financial year without the presence of Executive Board Members, to discuss problems and reservations arising from the interim and final audits, if any, or any other matter the auditor may wish to discuss;
  (e) Considered and recommended to the Board audit fees payable to the External Auditors and the reappointment of External Auditors for the Board's submission to shareholders for approval at the Annual General Meeting;
- Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services. Non-audit fees totaling RM86,400 were paid to the external auditors during the financial year.
- Reviewed with the Group Chief Executive Officer, the Group Chief Financial Officer and other Senior Management staff the unaudited quarterly financial statements before submission to the Board for consideration and approval for release to Bursa Malaysia Securities Berhad;
- Reviewed the adequacy of scope, functions and resources of the Group Internal Audit function, and that it has the necessary authority to carry out its work;
- Reviewed the performance and competency of the Group Internal Audit function;
- Reviewed the internal audit programme, processes and the internal audit reports, which highlighted the audit issues, recommendation and Management's response. Discussed with Management and ensure appropriate actions were taken to improve the system of internal controls based on improvement opportunities highlighted in the internal audit reports, where necessary;
- Reviewed the risk assessment update for a significant operating subsidiary and assessed appropriateness of the mitigation action plans to address the principal risks;
- Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- Reviewed the appropriateness of Board policy on whistle blowing.

Internal Audit Function

The Committee is supported by an in-house Internal Audit function in discharging of its duties and responsibilities. Where considered appropriate, the in-house Internal Audit function would procure internal audit services from external consultant as a means to augment its efforts in conducting internal audit projects and reviews for the Group.

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

A summary of main activities undertaken by the Internal Audit function during the financial year ended 31 December 2009 is as follows:

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

AUDIT COMMITTEE REPORT (CONT'D)

Internal Audit Function (cont'd)

- Worked in collaboration with an independent professional firm to perform the risk-based internal audit for a significant operating subsidiary in Indonesia;

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

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

- Carried out an exercise of the Group risk compilation spanning the Group's operation locally and overseas and prioritising principal risks on a Group basis to facilitate the Committee's deliberation on challenges faced by the Group and also the appropriateness of the risk mitigation action plans undertaken by Management.

The total cost incurred for the internal audit function in respect of the financial year ended 31 December 2009 was RM642,000.

Date: 29 March 2010.

STATEMENT ON INTERNAL CONTROL

Introduction

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securites") requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a group". The Board of Directors of Malaysia Smelting Corporation Berhad ("the Board") is committed to maintaining a sound system of internal control in the Group in accordance with the Malaysian Code on Corporate Governance.

Set out below is the Board's statement outlining the nature and scope of internal control of the Group during the financial year ended 31 December 2009.

Board Responsibility

The Board recognises its responsibility for maintaining the Group's system of internal control, which includes the establishment of an appropriate control environment (the "tone from the top") to safeguard shareholders' investment and the Group's assets and reviewing the adequacy and integrity of these systems on a regular basis. The system of internal control covers not only financial controls but operational and compliance controls and risk management procedures.

Nevertheless, inherent limitations in any system of internal control preclude absolute assurance against material misstatement or loss, as the system is designed to manage, rather than totally eliminate associated risk of failure.

The Board has established a process for identifying, evaluating and managing principal risks faced by the Group. This process was in place throughout the financial year under review. The Board regularly reviews this process in conformity with the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance").

Although the Board is the ultimate owner of risk assessment process and internal control systems of the Group including those established in material joint ventures and associated companies, Management has been tasked with the implementation of risk management and internal control systems, within the framework adopted by the Board.

Enterprise Risk Management Framework

The Board affirms the contents of the Internal Control Guidance and through the Audit Committee establishes formal risk management frameworks in identifying principal risks faced by significant operating entities of the Group, and regularly evaluates the systems in place to manage these risks.

The key elements of the Group's risk management framework includes the following practices:

- Establishment of a risk management structure, which depicts the lines of reporting and responsibility at the Board, Audit Committee and Management levels. A specific grouping of management personnel, i.e. the Group Risk Management Steering Committee is responsible to enhance risk oversight and management, one way of which is to integrate risk management issues into quarterly performance reporting;

- Identification of principal risks (present and potential) faced by operating units in the Group and management plans to mitigate or manage these risks. The identification process is driven by the Audit Committee with assistance from Group Internal Audit function and external consultants. For each principal risk, the assessment process considers the potential impact and likelihood of occurrence, effectiveness of controls in place (if any), and action plans taken to manage those risks to the desired level. A database of these risks and controls has been created to produce a risk register and individual risk profiles for the major business units;

- Determination of risk appetite (qualitative and quantitative) for major business units in the Group;

- Issuance of a Risk Management Policy and Guidelines Document for the Group. The document offers practical guidance to all employees on risk management issues; and

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

The Group's risk management exercise is a continuous monitoring process considering the changing business environment where appropriate risk assessment update undertaken by Internal Audit function on a co-sourced basis to regularly assess risk profiles of major business units and to review and design when and where applicable particularly in updating the key business risks and reviewing appropriateness of the mitigation action plans.

STATEMENT ON INTERNAL CONTROL (CONT'D)

Internal Audit Function

The Internal Audit function is an integral part of the assurance framework and its primary mission is to provide assurance on the adequacy and effectiveness of the risk, control and governance framework of the company. The purpose, authority and responsibility of the Internal Audit function as well as the nature of the assurance and consultancy activities provided by the function are articulated in the internal audit charter.

The Internal Audit function, which is independent of the activities they audit, maintains their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the Audit Committee who reviews and approves the Internal Audit function's annual audit plan, financial budget and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.

A risk-based approach is adopted by the Internal Audit function in preparing their audit strategy and plan based on the risk profiles of major business units. Accordingly, activities carried out included risk assessment and internal audits addressing both financial and operational aspects whilst the resulting independent assessment is reported to the Audit Committee on a quarterly basis.

Further details of activities undertaken by the Internal Audit function are set out in the Audit Committee Report on page 43 of this Annual Report.

Other Risk and Control Processes

The Board considers the following as complements to the goals espoused by the risk management process and internal audit activities:

- an organisational structure with formally defined lines of responsibility and delegation of authority;

- a hierarchical reporting process which provides a documented and auditable trail of accountability;

- an updated Management Staff Handbook and Collective Agreement emphasising policies on health and safety, training and development, equality of opportunity, staff performance and repercussions of serious misconduct;

- a key financial policies and procedures for major subsidiaries, covering core processes like tin trading activities, asset management, purchasing, payment, inventory and payroll; and

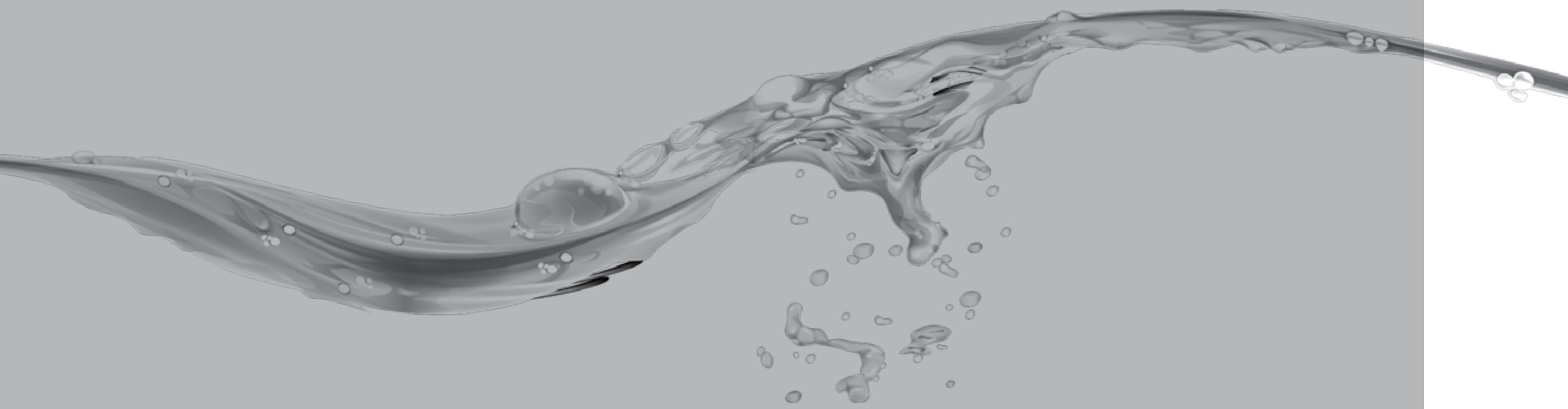
- Board meeting at least quarterly to regularly review financial and operating performance of the Group including any significant issues arising from changes in the Group's business environment, which may result in significant risks to the Group.

The Board's Commitment

The Board remains committed towards improving the state of the Group's internal control system. For the financial year under review, there were no material losses incurred resulting from weaknesses in internal control. The Group continues to take measures to strengthen the internal control environment.

Pursuant to paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditor has reviewed this statement for inclusion in the Annual Report for the financial year ended 31 December 2009 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This statement was made in accordance with a resolution of the Board of Directors dated 29 March 2010.



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REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

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 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sales and delivery of refined tin metal and by-products. The principal activities of the subsidiaries and associates are set out in Notes 12 and 13 to the financial statements respectively.

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	**3,671**	**63,008**
Attributable to:		
Equity holders of the Company	**7,354**	**63,008**
Minority interests	**(3,683)**	**–**
	3,671	**63,008**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDENDS

The Company paid an interim dividend of 8 sen less 26% tax per share on 28 October 2008 for the financial year ended 31 December 2008. The Company did not pay any dividend since 31 December 2008.

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a final dividend of 3 sen per ordinary share less 25% tax, totalling RM1.688 million net for the financial year ended 31 December 2009.

The financial statements for the current financial year 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 2010.

SHARE CAPITAL

No shares were issued by the Company and no option has been granted to any person or party to acquire shares in the Company during the year.

DIRECTORS

The name of the directors of the Company in office since the date of the last report and at the date of this report are:

* Mr Norman Ip Ka Cheung	(Chairman)
Dato' Seri Dr Mohd. Ajib Anuar	(Executive Director)
* Mr Choi Siew Hong	
* En Razman Ariffin	
Mr Yeo Eng Kwang	
Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong	(Appointed on 14 December 2009)
Mr Chew Kwee San	(Appointed on 1 March 2010)
Mr Lim Sit Chen Lam Pak Ng	(Appointed on 1 March 2010)
Ms Victoria Ko Miu Ha	(Resigned on 8 April 2009)

* Being members of Audit Committee

In accordance with Article 101 of the Articles of Association of the Company, the director retiring by rotation this year is Mr Norman Ip Ka Cheung and, being eligible offers himself for re-election.

In accordance with Article 106 of the Articles of Association of the Company, Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong, Mr Chew Kwee San and Mr Lim Sit Chen Lam Pak Ng retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

Mr Choi Siew Hong, being over seventy years of age, retires in accordance with Section 129(2) of the Companies Act, 1965 and does not offer himself for reappointment.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company as disclosed in Note 3ii to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than as disclosed in Note 28 to the financial statements.

REPORT OF THE DIRECTORS (CONT'D)

DIRECTORS' INTERESTS

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

	Number of ordinary shares of SGD1 each			
	1 January 2009	Bought	Sold	31 December 2009
Holding Company				
The Straits Trading Company Limited				
Direct interest				
Mr Norman Ip Ka Cheung	23,640	–	–	23,640
Indirect interest				
Mr Norman Ip Ka Cheung	25,644	–	–	25,644

	Number of ordinary shares of RM1 each			
	1 January 2009	Bought	Sold	31 December 2009
The Company				
Direct interest				
Mr Norman Ip Ka Cheung	250,000	–	–	250,000
Dato' Seri Dr Mohd. Ajib Anuar	800,000	–	–	800,000
Mr Choi Siew Hong	85,000	–	–	85,000
En Razman Ariffin	67,000	–	–	67,000

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off as bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

REPORT OF THE DIRECTORS (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) As 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) other than the contingent liabilities as disclosed in Note 27 to the financial statements, 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 EVENTS

Details of significant events are disclosed in Note 31 to the financial statements.

SUBSEQUENT EVENT

Details of subsequent event are disclosed in Note 32 to the financial statements.

HOLDING COMPANIES

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

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to accept reappointment as auditors and a resolution proposing their appointment will be submitted at the forthcoming Annual General Meeting.

Signed on behalf of the board in accordance with a resolution of the directors dated 29 March 2010.

Norman Ip Ka Cheung | **Dato' Seri Dr Mohd. Ajib Anuar**

STATEMENT BY DIRECTORS

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

We, Norman Ip Ka Cheung and Dato' Seri Dr Mohd. Ajib Anuar, 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 53 to 122 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the board in accordance with a resolution of the directors dated 29 March 2010.

Norman Ip Ka Cheung

Dato' Seri Dr Mohd. Ajib Anuar

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Yap Fook Ping, being the officer primarily responsible for the financial management of Malaysia Smelting Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 53 to 122 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Yap Fook Ping
at Georgetown in the state of Penang
on 29 March 2010.

Yap Fook Ping

Before me,

Commissioner for Oaths
Penang

INDEPENDENT AUDITORS' REPORT

to the members of Malaysia Smelting Corporation Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Malaysia Smelting Corporation Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 53 to 122.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Lim Foo Chew
No. 1748/01/12(J)
Chartered Accountant

Penang, Malaysia
Date: 29 March 2010

INCOME STATEMENTS
For the year ended 31 December 2009

	Note	Group		Company	
		2009	**2008**	**2009**	**2008**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	3	**1,851,720**	2,276,367	**1,825,205**	2,276,363
Profit/(Loss) from operations	3	**67,804**	10,502	**94,278**	(17,418)
Finance costs	4	**(23,189)**	(24,782)	**(14,909)**	(19,323)
Share of profit/(loss) of associates		**221**	(13,878)	**–**	–
Profit/(Loss) before tax		**44,836**	(28,158)	**79,369**	(36,741)
Income tax expense	6	**(41,165)**	(18,629)	**(16,361)**	2,604
Net profit/(loss) for the year		**3,671**	(46,787)	**63,008**	(34,137)
Attributable to:					
Equity holders of the Company		**7,354**	(46,337)	**63,008**	(34,137)
Minority interests		**(3,683)**	(450)	**–**	–
		3,671	(46,787)	**63,008**	(34,137)
Earning/(Loss) per share attributable to equity holders of the Company - (sen)					
- Basic, for profit/(loss) for the year	7	**9.8**	(61.8)		
Net dividends per share - (sen)	8	**–**	23.3	**–**	23.3

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS
As at 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-current assets					
Property, plant and equipment	9	**88,165**	106,921	**10,788**	10,539
Prepaid land lease payments	10	**1,312**	1,298	**–**	–
Base inventory		**3,000**	3,000	**3,000**	3,000
Intangible assets	11	**7,849**	4,621	**–**	–
Investment in subsidiaries	12	**–**	–	**109,737**	18,366
Investment in associates	13	**213,918**	194,500	**243,055**	201,134
Other investments	14	**165**	47,261	**165**	47,261
Other assets	15	**154,343**	64,728	**–**	–
Other receivables	17	**2,648**	–	**2,648**	–
Deferred tax assets	25	**12,572**	18,073	**770**	4,614
		483,972	440,402	**370,163**	284,914
Current assets					
Inventories	16	**380,550**	260,823	**231,290**	81,116
Trade and other receivables	17	**205,600**	256,025	**256,972**	351,800
Tax recoverable		**31,141**	32,722	**7,554**	9,167
Cash, bank balances and deposits	18	**65,285**	72,574	**30,975**	48,329
		682,576	622,144	**526,791**	490,412
Current liabilities					
Provisions	19	**7,308**	320	**–**	–
Borrowings	20	**509,520**	503,247	**491,515**	475,296
Trade and other payables	21	**77,805**	66,612	**60,680**	76,164
Current tax payable		**19,955**	18,836	**2,861**	–
		614,588	589,015	**555,056**	551,460
Net current assets/(liabilities)		**67,988**	33,129	**(28,265)**	(61,048)
		551,960	473,531	**341,898**	223,866
Equity					
Equity attributable to equity holders of the Company					
Share capital	22	**75,000**	75,000	**75,000**	75,000
Other reserves	23	**8,457**	9,467	**4,426**	4,426
Retained earnings	24	**219,386**	212,032	**191,192**	128,184
		302,843	296,499	**270,618**	207,610
Minority interests		**69,528**	44,033	**–**	–
Total equity		**372,371**	340,532	**270,618**	207,610
Non-current liabilities					
Provisions	19	**21,000**	28,691	**–**	–
Deferred tax liabilities	25	**20,434**	2,033	**–**	–
Borrowings	20	**138,155**	102,275	**71,280**	16,256
		179,589	132,999	**71,280**	16,256
		551,960	473,531	**341,898**	223,866

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2009

		Attributable to equity holders of the Company					
			Non-distributable	Distributable			
	Note	Share capital RM'000	Other reserves (Note 23) RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group							
At 1 January 2008		75,000	(732)	275,859	350,127	45,416	395,543
Revaluation of properties		–	3,690	–	3,690	–	3,690
Foreign currency translation		–	6,509	–	6,509	2,621	9,130
Net income recognised directly in equity		–	10,199	–	10,199	2,621	12,820
Loss for the year		–	–	(46,337)	(46,337)	(450)	(46,787)
Total recognised income and expense for the year		–	10,199	(46,337)	(36,138)	2,171	(33,967)
Dividends	8	–	–	(17,490)	(17,490)	(3,554)	(21,044)
At 31 December 2008		75,000	9,467	212,032	296,499	44,033	340,532
At 1 January 2009		**75,000**	**9,467**	**212,032**	**296,499**	**44,033**	**340,532**
Foreign currency translation representing net loss recognised directly in equity		**–**	**(1,010)**	**–**	**(1,010)**	**(413)**	**(1,423)**
Profit/(Loss) for the year		**–**	**–**	**7,354**	**7,354**	**(3,683)**	**3,671**
Total recognised income and expense for the year		**–**	**(1,010)**	**7,354**	**6,344**	**(4,096)**	**2,248**
Acquisition of subsidiaries	12	**–**	**–**	**–**	**–**	**29,591**	**29,591**
At 31 December 2009		**75,000**	**8,457**	**219,386**	**302,843**	**69,528**	**372,371**

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
For the year ended 31 December 2009

	Note	Share capital RM'000	Non-distributable Other reserves (Note 23) RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2008		75,000	3,443	179,811	258,254
Revaluation of properties represent net income recognised directly in equity		–	983	–	983
Loss for the year		–	–	(34,137)	(34,137)
Total recognised income and expense for the year		–	983	(34,137)	(33,154)
Dividends	8	–	–	(17,490)	(17,490)
At 31 December 2008		75,000	4,426	128,184	207,610
At 1 January 2009		**75,000**	**4,426**	**128,184**	**207,610**
Profit for the year		**–**	**–**	**63,008**	**63,008**
Total recognised income and expense for the year		**–**	**–**	**63,008**	**63,008**
At 31 December 2009		**75,000**	**4,426**	**191,192**	**270,618**

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS
For the year ended 31 December 2009

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities					
Profit/(Loss) before taxation		**44,836**	(28,158)	**79,369**	(36,741)
Adjustments for:					
Amortisation of mining rights	11	**2,938**	2,687	**–**	–
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	15	**9,557**	6,240	**–**	–
Deferred exploration and evaluation expenditure written-off	15	**1,469**	2,128	**–**	–
Depreciation	9	**13,460**	13,351	**1,065**	1,519
Amortisation of land lease payments	10	**89**	89	**–**	–
Interest expense	4	**23,054**	24,749	**14,891**	19,290
(Decrease)/Increase in impairment of investment in associates	3	**(258)**	41,988	**177**	43,012
(Decrease)/Increase in impairment in other investments	3	**(54)**	510	**(54)**	510
Unrealised loss/(gain) on exchange		**5,253**	808	**5,834**	(4,582)
Unwinding of discount on provision	19	**117**	–	**–**	–
Provision for mine rehabilitation	19	**1,261**	6,716	**–**	–
Provision for severance benefits	19	**4,623**	4,116	**–**	–
Tin slag inventory previously written down no longer required	3	**(6,915)**	(30,162)	**–**	–
Impairment of property, plant and equipment	9	**319**	1,640	**–**	–
Share of (profit)/loss of associates		**(221)**	13,878	**–**	–
Doubtful debts recovered	3	**(126)**	–	**(126)**	–
Specific provision for doubtful debts	3	**1,363**	189	**1,363**	–
Dividend income received from an associate	3	**–**	–	**(28)**	(47)
Dividend income received from subsidiaries	3	**–**	–	**(42,679)**	–
Gain on disposal of property, plant and equipment	3	**(5,434)**	(27)	**(25)**	(25)
Interest income	3	**(7,286)**	(10,072)	**(12,235)**	(21,846)
Property, plant and equipment written-off	3	**–**	107	**–**	5
Bad debts written-off	3	**846**	–	**846**	–
Gain on deemed disposal of a subsidiary	12	**(3,883)**	–	**–**	–
Operating profit before working capital changes		**85,008**	50,777	**48,398**	1,095
(Increase)/Decrease in inventories		**(109,127)**	78,146	**(150,174)**	27,300
Decrease/(Increase) in receivables		**35,022**	(11,758)	**40,144**	(19,403)
(Increase)/Decrease in amount due from subsidiaries		**–**	–	**(15,776)**	72,478
Increase in amount due from associates		**(18,055)**	(14,221)	**(18,055)**	(14,805)
Decrease/(Increase) in amount due from related companies		**171**	(2,721)	**574**	(3,228)
Increase in payables		**41,559**	8,915	**4,819**	16,693
(Decrease)/Increase in amount due to a subsidiary		**–**	–	**(21,234)**	35,981
(Decrease)/Increase in amount due to an associate		**(16)**	50	**(50)**	50
Increase/(Decrease) in amount due to a related company		**1,617**	(96)	**–**	(96)
Cash generated from/(used in) operations carried forward		**36,179**	109,092	**(111,354)**	116,065

CASH FLOW STATEMENTS (CONT'D)
For the year ended 31 December 2009

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash generated from/(used in) operations brought forward		**36,179**	109,092	**(111,354)**	116,065
Income tax paid		**(23,244)**	(39,890)	**(3,615)**	(8,234)
Interest paid		**(27,042)**	(23,448)	**(18,136)**	(20,520)
Severance benefits paid	19	**(635)**	(6)	**–**	–
Net cash (used in)/from operating activities		**(14,742)**	45,748	**(133,105)**	87,311
Cash flows from investing activities					
Acquisition of subsidiaries	12	**1,891**	–	**–**	–
Deemed disposal of a subsidiary	12	**(688)**	–	**–**	–
Purchase of other investments		**–**	(47,150)	**–**	(47,150)
Payment for an insurance scheme		**(7,771)**	(3,013)	**–**	–
Purchase of shares in associates		**(732)**	(155,257)	**(732)**	(155,257)
Payment for mining rights		**–**	(181)	**–**	–
Net dividend received from an associate		**21**	35	**21**	35
Net dividend received from subsidiaries		**–**	–	**39,956**	–
Interest received		**7,305**	8,740	**7,050**	9,494
Purchase of property, plant and equipment		**(4,299)**	(21,412)	**(1,314)**	(1,228)
Payment for prepaid land lease payments	10	**(112)**	–	**–**	–
Payment for deferred mine development and deferred exploration and evaluation expenditure	15	**(31,604)**	(50,670)	**–**	–
Proceeds from disposal of property, plant and equipment		**306**	82	**25**	25
Net cash (used in)/from investing activities		**(35,683)**	(268,826)	**45,006**	(194,081)
Cash flows from financing activities					
Drawdown of short term trade financing and other borrowings		**55,445**	153,047	**70,166**	134,448
Drawdown of term loans		**8,683**	121,890	**8,683**	17,625
Repayment of term loans		**(21,073)**	(11,767)	**(8,212)**	(6,340)
Dividends paid					
- shareholders of the Company		**–**	(17,490)	**–**	(17,490)
- minority shareholders of a subsidiary		**–**	(3,554)	**–**	–
Net cash from financing activities		**43,055**	242,126	**70,637**	128,243
Net (decrease)/increase in cash and cash equivalents		**(7,370)**	19,048	**(17,462)**	21,473
Effect of changes in foreign exchange rates		**81**	1,596	**108**	(799)
Cash and cash equivalents at 1 January		**72,574**	51,930	**48,329**	27,655
Cash and cash equivalents at 31 December	18	**65,285**	72,574	**30,975**	48,329

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2009

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sales and delivery of refined tin metal and by-products. The principal activities of the subsidiaries and associates are set out in Notes 12 and 13 respectively.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 March 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except for certain freehold land and buildings included within property, plant and equipment that have been measured at their fair values.

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

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

ii. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the 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 profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(b) Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(c) Intangible assets

i. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

iii. Mining rights/Mining Assets

Mining rights/mining assets acquired in a business combination are stated at their fair values as at the date of acquisition. Following initial recognition, mining rights/mining assets are carried at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mining rights/mining assets are amortised based on the unit-of-production method so as to write off the mining rights/mining assets in proportion to the depletion of the estimated economically recoverable ore reserves. The amortisation period and the amortisation method are reviewed at least at each financial year end.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(c) Intangible assets (cont'd)

iv. Deferred mine exploration and evaluation expenditure

Deferred mine exploration and evaluation expenditure is stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mine exploration and evaluation expenditure incurred in an area of interest is 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 permit reasonable assessment of the existence of economically recoverable ore reserves.

Accumulated costs in relation to an abandoned area are written off in full to the income statement in the year in which the decision to abandon the area is made.

When production commences, the accumulated cost for the relevant area of interest 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.

A review is carried out annually on the carrying amount of deferred exploration and evaluation expenditures to determine whether there is any indication of impairment. An impairment loss is recognised as an expense in the income statement.

v. Deferred mine development expenditure

Deferred mine development expenditure is stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Mine development expenditure incurred in connection with development activities in respect of each area of interest, which includes all activities conducted in the preparation of economically recoverable ore reserves until commercial production is accumulated in respect of each identifiable area of interest. These costs are only deferred to the extent that they are expected to be recouped through the successful development of the area. Mine development expenditure which is considered to provide minimal benefit to future periods is charged to income statement.

When production in an area of interest commences, the accumulated cost for the relevant area of interest 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.

A review is carried out annually on the carrying amount of deferred development expenditure to determine whether there is any indication of impairment. An impairment loss is recognised as an expense in the income statement.

(d) Mine environmental expenditure

Restoration, rehabilitation and environmental expenditure incurred during the production phase of operations is recognised in the income statement as part of the cost of production of the mine property concerned.

Significant restoration, rehabilitation and environmental 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(e) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated depreciation and accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed at least once in every five years to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that reverses a revaluation decrease for the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in the income statement. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

In the tin mining subsidiary, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves over the estimated useful lives of the assets. Changes in estimated ore reserves and the useful lives of plant and equipment are accounted for on a prospective basis from the beginning of the year in which the change arises. Earthmoving vehicles are depreciated based on an hour worked basis over the estimated useful life of each asset.

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 is provided for on the straight line method to write off the cost of each asset to its residual value over the shorter of their estimated economic useful lives or life of the mine where appropriate. The estimated useful lives are as follows:

Buildings	8 to 40 years or life of mine, where appropriate, whichever is shorter.
Plant, equipment and vehicles	3 to 40 years
Furniture	4 to 10 years
Mine restoration	Life of mine

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(f) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGU's are allocated to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of trading inventory of refined tin metal is determined on a first-in first-out basis. Cost of inventories of tin-in-concentrates and tin-in-process which have matching sales contract for refined tin metal from tin smelting operations, are stated at the value of such contract less allowance for conversion. This value is consistent with cost, as it is the practice of tin smelting operations of the Company to buy tin-in-concentrates and sell refined tin metal on a back to back price basis.

Absorption costing is used in the mining operations to assign costs to tin inventories using the weighted average cost method which includes both variable and fixed overhead cost components. The cost of purchased tin-in-concentrates prior to processing comprises cost of purchase.

Cost of other inventories comprising stores, spares, fuels and saleable by-products is determined using the weighted average cost method. Production cost is not allocated to by-products as it is not material.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(h) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as an asset or liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net or to realise the asset and settle the liability simultaneously.

i. Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

ii. Other non-current investments

Non-current investments other than investments in subsidiaries and associates, are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

iii. Trade and other receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

iv. Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not these are billed.

v. Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

vi. Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributed to the equity transaction which would otherwise have been avoided.

vii. Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(i) Leases

i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

ii. Operating leases - the Group as lessee

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(k) Income tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(m) Employee benefits

i. 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.

ii. Defined contribution plans

Define contribution plans are post-employment benefit plans under which the Group pays 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 income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(m) Employee benefits (cont'd)

iii. Severance benefits

The subsidiaries in Indonesia operates a partly funded, Severance Benefits Scheme ("the Scheme") for its eligible employees. The subsidiaries' obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of eligible employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the present value of the defined benefit obligation. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service cost.

iv. Termination benefits

Termination benefits payable by the Group and by the Company in cases of termination of employment within the framework of a restructuring are recognised as a liability and are expensed or charged against provision when the Group and Company have a detailed formal plan for the termination and is without possibility of withdrawal.

(n) Foreign currencies

i. Functional and presentation currency

The individual financial statements of each entity in the Group are measured using their respective functional currency. The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

ii. Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations are recognised in the income statement in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(n) Foreign currencies (cont'd)

iii. Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated in RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of goods

Revenue is recognised net of sales taxes upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii. Interest income

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

iii. Dividend income

Dividend income is recognised when the right to receive payment is established.

iv. Tin warrant and other service charges

Revenue is recognised upon performance of services.

v. Warehouse rent

Revenue is recognised on an accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of significant accounting policies (cont'd)

(p) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5: Non-Current Assets Held for Sale and Discontinued Operations, that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

(q) Base inventory

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

(r) Share-based payment transactions

A subsidiary in Australia has provided share-based compensation benefits to its directors and company secretary.

When the subsidiary issues share options for the provision of services received, an expense is recognised in the income statement for the cost of the options, with a corresponding increase recognised in equity in the share option reserve, over the vesting period of the options. Where the options issued vest immediately upon grant (and hence there is no vesting period), the expense and corresponding increase in equity are recognised immediately.

Cost is measured with reference to the fair value of the options issued at the date of grant. In valuing options, no account is taken of any performance conditions, other than conditions linked to the price of the share of the subsidiary (market conditions), if applicable. At each balance sheet date, the subsidiary revises its estimate of the number of options that are expected to become vested. The expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share option reserve relating to those options is transferred to share capital.

The market value of shares issued to certain directors as a component of remuneration for no cash consideration is recognised as an expense, with a corresponding increase in equity when these directors become entitled to the shares.

2.3 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

Effective for financial periods beginning on or after 1 July 2009

FRS 8: Operating Segments

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Effective for financial periods beginning on or after 1 January 2010

FRS 4: Insurance Contracts
FRS 7: Financial Instruments: Disclosures
FRS 101: Presentation of Financial Statements (revised)
FRS 123: Borrowing Costs
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments : Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Amendments to FRSs 'Improvements to FRSs (2009)'
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13: Customer Loyalty Programmes
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132: Financial Instruments: Presentation, relating to Classification of Right Issues

Effective for financial periods beginning on or after 1 July 2010

FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (revised)
FRS 127: Consolidation and Separate Financial Statements (amended)
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discountinued Operation
Amendments to FRS 138: Intangible Assets
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 12: Service Concession Arrangements
IC Interpretation 15: Agreements for the Construction of Real Estate
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)
Improving Disclosures about Financial Instruments (Amendments to FRS 7)

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application.

FRS 8: Operating Segments

FRS 8 replaces FRS 114_{2004}: Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and the Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company is exempted from disclosing the possible impact to the financial statements upon the initial application.

Amendments to FRSs 'Improvements to FRSs (2009)'

i. FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

ii. FRS 132 Financial Instruments: Disclosures and Presentation will be renamed as Financial Instruments: Presentation upon the adoption of FRS 7 Financial Instruments: Disclosures. The amendments provide a limited scope exception for puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. An instrument that meets the definition of a financial liability is classified as an equity instrument only if it fulfils a number of specific features and conditions as stipulated in the Standard.

Improving Disclosures about Financial Instruments (Amendments to FRS 7)

The Improving Disclosures about Financial Instruments reinforces existing principles for disclosures about liquidity risk. Also, the Amendments require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy is introduced. An entity is required to classify fair value measurements using this hierarchy which aims to reflect the inputs used in making the measurement. These Amendments do not have any impact on the financial position and results of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgments

Key sources of estimation uncertainty

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

i. Depreciation of plant and machinery

The cost of plant and machinery for tin smelting and refining is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 40 years. These are common life expectancies applied in such industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised.

In the tin mining subsidiary, 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. Earthmoving vehicles are depreciated based on hour worked basis over the estimated useful lives of each asset. 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 balance sheet date for property, plant and equipment is disclosed in Note 9.

ii. Amortisation and impairment of mining rights, mining assets, deferred mine development expenditure and deferred exploration and evaluation expenditure

These require estimates and assumptions on the quantity of economically recoverable ore reserves and resources, expected future costs and expenses to produce the metal or minerals, effective interest rates, expected future prices used in the impairment test for mining rights, mining assets, deferred mine development and mine exploration expenditures. The estimate of the quantity of economically recoverable ore reserves and resources is also used for the amortisation of mining rights, mining assets, deferred development and exploration expenditures. Actual outcomes could differ from these estimates and assumptions. The carrying amount at balance sheet date for mining rights is disclosed in Note 11 and that for mining assets, deferred mine development expenditure and deferred exploration and evaluation expenditure in Note 15.

iii. Impairment loss on investment in associates

The Company has associates which are principally involved in exploration and mining of various minerals and metals. The impairment assessments were based on the projected value of the estimated quantity of economically recoverable reserves and resources. These require estimates and assumptions on the quantity of economically recoverable reserves and resources, expected future costs and expenses to produce the minerals and metals, effective interest rates, weighted average cost of capital, expected commencement date for commercial production and future prices used. Actual outcomes could differ from these estimates and assumptions. The carrying amount at balance sheet date for investment in associates is disclosed in Note 13.

iv. Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2009 was RM6,166,000 (2008: nil). Further details are disclosed in Note 11.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgments (cont'd)

Key sources of estimation uncertainty (cont'd)

v. Provision for mine rehabilitation and restoration costs

Provision for mine rehabilitation and restoration costs are provided based on the present value of the estimated future expenditure to be incurred. Significant management judgement and estimation is required in determining the discount rate and the expenditure to be incurred subsequent to the cessation of production of each mine property. Where expectations differ from the original estimates, the differences will impact the carrying amount of provision for mine rehabilitation and restoration costs. The carrying amount of provision for mine rehabilitation and restoration costs at balance sheet date is disclosed in Note 19.

vi. Deferred tax assets

Deferred tax assets are recognised for provisions to the extent that it is probable that taxable profits will be available against which the provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

vii. Inventories

Inventories are stated at the lower of cost and net realisable value. Significant management judgement and in certain circumstances estimate on the physical stock quantity are required to determine their cost and net realisable value. Also, the write down of obsolete or slow moving inventories is based on assessment of their ageing. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amount of inventories at balance sheet date is disclosed in Note 16.

viii. Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

ix. Income taxes and tax recoverable

The Group and Company are subject to income taxes in Malaysia and other overseas jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. 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.

x. Economically recoverable ore reserves and resources

Economically recoverable ore reserves and resources are estimates of the amount of ore that can be economically and legally recoverable from the mining properties. The Group estimates its ore reserves and resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves and resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of mining rights, mining assets, deferred mine development expenditure, deferred exploration and evaluation expenditure, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

3. PROFIT/(LOSS) FROM OPERATIONS

i. Profit/(Loss) from operations is calculated as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sale of goods	**1,845,658**	2,269,927	**1,819,143**	2,269,923
Tin warehousing and delivery charges	**6,062**	6,440	**6,062**	6,440
Revenue	**1,851,720**	2,276,367	**1,825,205**	2,276,363
Cost of inventories sold	**(1,733,472)**	(2,137,018)	**(1,767,997)**	(2,228,544)
Gross profit	**118,248**	139,349	**57,208**	47,819
Other operating income	**33,026**	38,014	**82,242**	55,711
Marketing and distribution expenses	**(20,493)**	(20,830)	**(2,929)**	(2,842)
Administrative expenses	**(25,070)**	(28,912)	**(3,816)**	(3,683)
Other operating expenses	**(37,907)**	(117,119)	**(38,427)**	(114,423)
Profit/(Loss) from operations	**67,804**	10,502	**94,278**	(17,418)

ii. Profit/(Loss) from operations is stated:

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
After charging:					
Auditors' remuneration:					
- statutory audits		**684**	489	**100**	100
- under provision in prior year		**67**	1	**55**	–
Amortisation of prepaid land lease payments	10	**89**	89	**–**	–
Amortisation of mining rights	11	**2,938**	2,687	**–**	–
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	15	**9,557**	6,240	**–**	–
Bad debts written-off		**846**	–	**846**	–
Deferred exploration and evaluation expenditure written-off	15	**1,469**	2,128	**–**	–
Depreciation of property, plant and equipment	9	**13,460**	13,351	**1,065**	1,519
Directors' remuneration:					
- fees		**883**	761	**400**	400
- benefits-in-kind		**26**	21	**26**	21
- other emoluments		**52**	–	**–**	–
Employee benefits expense	5	**60,758**	55,463	**16,247**	14,443

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

3. PROFIT/(LOSS) FROM OPERATIONS (CONT'D)

ii. Profit/(Loss) from operations is stated: (cont'd)

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
After charging: (cont'd)					
Hire of equipment and vehicles		**60**	9	**37**	9
Impairment of investment in associates		**–**	41,988	**177**	43,012
Impairment of property, plant and equipment	9	**319**	1,640	**–**	–
Impairment of other investment		**–**	510	**–**	510
Net foreign exchange loss		**1,718**	28,975	**76**	28,508
Property, plant and equipment written off		**–**	107	**–**	5
Provision for mine rehabilitation	19	**1,261**	6,716	**–**	–
Provision for severance benefits	19	**4,623**	4,116	**–**	–
Rental of land and buildings		**187**	316	**1,932**	1,927
Secretarial fees payable to a director of a foreign subsidiary		**30**	18	**–**	–
Specific provision for doubtful debts		**1,363**	189	**1,363**	–
Write down of inventory value		**–**	9,531	**–**	6,490
and crediting:					
Bad debts recovered		**126**	–	**126**	–
Gain on disposal of property, plant and equipment		**5,434**	27	**25**	25
Gain on deemed disposal of a subsidiary	12	**3,883**	–	**–**	–
Gross dividend received from an associate		**–**	–	**28**	47
Gross dividend received from subsidiaries		**–**	–	**42,679**	–
Interest income		**7,286**	10,072	**12,235**	21,846
Tin slag inventory previously written down no longer required		**6,915**	30,162	**–**	–
Reversal of impairment of investment in associates		**258**	–	**–**	–
Reversal of impairment of other investments		**54**	–	**54**	–

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31 December 2009

4. FINANCE COSTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses on bank borrowings	**23,054**	24,749	**14,891**	19,290
Commitment fees	**18**	33	**18**	33
Unwinding of discount on provision (Note 19)	**117**	–	**–**	–
	23,189	24,782	**14,909**	19,323

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	**50,553**	46,186	**13,718**	12,079
Social security contribution	**241**	221	**126**	125
Contribution to defined contribution plan	**3,433**	3,229	**1,546**	1,390
Severance benefits (Note 19 (a))	**4,623**	4,116	**–**	–
Other benefits	**1,908**	1,711	**857**	849
	60,758	55,463	**16,247**	14,443

The employee benefits expense excludes directors' remuneration as disclosed in Note 3ii.

6. INCOME TAX EXPENSE

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current income tax:				
Malaysian income tax	**12,693**	6,315	**10,819**	–
Foreign tax	**4,412**	4,386	**–**	–
	17,105	10,701	**10,819**	–
(Over)/Underprovision in prior years:				
Malaysian income tax	**(397)**	1,061	**–**	622
Foreign tax	**18,300**	–	**–**	–
	35,008	11,762	**10,819**	622
Foreign witholding tax	**1,698**	–	**1,698**	–
	36,706	11,762	**12,517**	622
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	**4,259**	6,681	**2,742**	(3,628)
Underprovision in prior year	**200**	186	**1,102**	402
	4,459	6,867	**3,844**	(3,226)
Total income tax expense	**41,165**	18,629	**16,361**	(2,604)

6. INCOME TAX EXPENSE (CONT'D)

Domestic current income tax is calculated at the statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rate applicable to foreign subsidiaries are as follows:-

	2009	2008
Australia	**30%**	30%
Indonesia	**28% and 30%**	30%

The income tax rate applicable to certain subsidiaries in Indonesia will be reduced to 25% from current year's rate of 28% effective from year of assessment 2010. The computation of deferred tax as at 31 December 2009 has reflected these changes.

The underprovision of foreign tax expense in prior years was mainly due to additional provision made as a result of a recent decision by a foreign tax authority in disallowing certain expenses to be set-off against prior years' taxable profits of an overseas subsidiary.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2009 RM'000	2008 RM'000
Group		
Profit/(Loss) before tax	**44,836**	(28,158)
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	**11,209**	(7,321)
Effect of income subject to tax at 20% (2008: 20%)	**–**	(30)
Different tax rates in other countries	**(781)**	848
Income not subject to tax	**(9,910)**	(3,303)
Expenses not deductible for tax purpose	**20,846**	27,164
Underprovision of deferred tax in prior years	**200**	186
Underprovision of tax expense in prior years	**17,903**	1,061
Effect of change in tax rate on opening deferred taxes	**–**	24
Foreign witholding tax	**1,698**	–
	41,165	18,629
Company		
Profit/(Loss) before tax	**79,369**	(36,741)
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	**19,842**	(9,553)
Income not subject to tax	**(9,910)**	(3,237)
Expenses not deductible for tax purposes	**3,629**	9,162
Underprovision of deferred tax in prior years	**1,102**	402
Underprovision of tax expense in prior years	**–**	622
Foreign witholding tax	**1,698**	–
Income tax expense for the year	**16,361**	(2,604)

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7. BASIC EARNING/(LOSS) PER SHARE

Basic earning/(loss) per share is calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	Group	
	2009	**2008**
Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000)	**7,354**	(46,337)
Average number of ordinary shares in issue ('000)	**75,000**	75,000
Basic earning/(loss) per share (sen)	**9.8**	(61.8)

8. DIVIDENDS

	Amount		Net dividend per share	
	2009	**2008**	**2009**	**2008**
Group and Company	**RM'000**	**RM'000**	**Sen**	**Sen**
Final dividend for 2007:				
- 10 sen tax exempt and 10 sen less tax at 26% paid on 28 May 2008	–	13,050	–	17.4
Interim dividend for 2008:				
- 8 sen less tax at 26% paid on 28 October 2008	–	4,440	–	5.9
	–	17,490	–	23.3

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a final dividend of 3 sen per ordinary share less 25% tax, totalling RM1.688 million net for the financial year ended 31 December 2009.

The financial statements for the current financial year 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 2010.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Mine restoration RM'000	Capital work-in-progress RM'000	Total RM'000
2009						
Cost or Valuation						
At 1 January 2009						
- At cost	–	–	313,436	–	8,123	321,559
- At valuation	15,564	21,350	–	–	–	36,914
	15,564	21,350	313,436	–	8,123	358,473
Acquisition of subsidiaries	46	–	43	–	–	89
Additions	–	–	14,757	2,350	1,319	18,426
Deemed disposal of a subsidiary	–	–	(23,573)	–	–	(23,573)
Disposals/Written off	–	–	(32,432)	–	–	(32,432)
Transfer in/(out)	–	–	4,701	–	(4,701)	–
Exchange translation differences	2	(57)	(3,518)	–	(30)	(3,603)
At 31 December 2009	15,612	21,293	273,414	2,350	4,711	317,380
Representing:						
- At cost	48	–	273,414	2,350	4,711	280,523
- At valuation	15,564	21,293	–	–	–	36,857
At 31 December 2009	15,612	21,293	273,414	2,350	4,711	317,380

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Mine restoration RM'000	Capital work-in-progress RM'000	Total RM'000
2009						
Accumulated depreciation and impairment losses						
At 1 January 2009	**–**	**–**	**250,822**	**–**	**730**	**251,552**
Acquisition of subsidiaries	**–**	**–**	**14**	**–**	**–**	**14**
Deemed disposal of a subsidiary	**–**	**–**	**(1,012)**	**–**	**–**	**(1,012)**
Depreciation charge for the year (Note 3ii)	**–**	**1,419**	**11,101**	**940**	**–**	**13,460**
Impairment loss (Note 3ii)	**–**	**–**	**–**	**–**	**319**	**319**
Disposals/Written off	**–**	**–**	**(32,126)**	**–**	**–**	**(32,126)**
Exchange translation differences	**–**	**(22)**	**(2,982)**	**–**	**12**	**(2,992)**
At 31 December 2009	**–**	**1,397**	**225,817**	**940**	**1,061**	**229,215**
Net carrying amount						
- At cost	**48**	**–**	**47,597**	**1,410**	**3,650**	**52,705**
- At valuation	**15,564**	**19,896**	**–**	**–**	**–**	**35,460**
At 31 December 2009	**15,612**	**19,896**	**47,597**	**1,410**	**3,650**	**88,165**
2008						
Cost or Valuation						
At 1 January 2008						
- At cost	105	3,982	274,863	–	15,600	294,550
- At valuation	13,695	18,894	–	–	–	32,589
	13,800	22,876	274,863	–	15,600	327,139
Additions	–	–	10,072	–	11,340	21,412
Disposals/Written off	–	–	(1,381)	–	–	(1,381)
Transfer in/(out)	–	815	18,522	–	(19,337)	–
Revaluation adjustments	1,764	(2,606)	–	–	–	(842)
Exchange translation differences	–	265	11,360	–	520	12,145
At 31 December 2008	15,564	21,350	313,436	–	8,123	358,473
Representing:						
- At cost	–	–	313,436	–	8,123	321,559
- At valuation	15,564	21,350	–	–	–	36,914
At 31 December 2008	15,564	21,350	313,436	–	8,123	358,473

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Mine restoration RM'000	Capital work-in-progress RM'000	Total RM'000
2008						
Accumulated depreciation and impairment losses						
At 1 January 2008	–	3,501	229,141	–	–	232,642
Depreciation charge for the year (Note 3ii)	–	1,237	12,114	–	–	13,351
Revaluation adjustments	–	(4,825)	–	–	–	(4,825)
Impairment loss (Note 3ii)	–	–	910	–	730	1,640
Disposals/Written off	–	–	(1,218)	–	–	(1,218)
Exchange translation differences	–	87	9,875	–	–	9,962
At 31 December 2008	–	–	250,822	–	730	251,552
Net carrying amount						
- At cost	–	–	62,614	–	7,393	70,007
- At valuation	15,564	21,350	–	–	–	36,914
At 31 December 2008	15,564	21,350	62,614	–	7,393	106,921
Net carrying value (had the revalued property, plant and equipment been carried at cost less depreciation)						
At 31 December 2009	**9,510**	**10,434**	**47,597**	**1,410**	**3,650**	**72,601**
At 31 December 2008	9,462	10,932	62,614	–	7,393	90,401

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
Company					
2009					
Cost or Valuation					
At 1 January 2009					
- At cost	–	–	37,187	58	37,245
- At valuation	180	8,100	–	–	8,280
	180	8,100	37,187	58	45,525
Additions	–	–	–	1,314	1,314
Disposals/Written off	–	–	(1,043)	–	(1,043)
Transfer in/(out)	–	–	1,156	(1,156)	–
At 31 December 2009	180	8,100	37,300	216	45,796
Representing:					
- At cost	–	–	37,300	216	37,516
- At valuation	180	8,100	–	–	8,280
At 31 December 2009	180	8,100	37,300	216	45,796
Accumulated depreciation and impairment losses					
At 1 January 2009	–	–	34,986	–	34,986
Depreciation charge for the year (Note 3ii)	–	216	849	–	1,065
Disposals/Written off	–	–	(1,043)	–	(1,043)
At 31 December 2009	–	216	34,792	–	35,008
Net carrying amount					
- At cost	–	–	2,508	216	2,724
- At valuation	180	7,884	–	–	8,064
At 31 December 2009	180	7,884	2,508	216	10,788

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2008					
Cost or Valuation					
At 1 January 2008					
- At cost	–	1,842	36,604	93	38,539
- At valuation	109	5,500	–	–	5,609
	109	7,342	36,604	93	44,148
Additions	–	–	–	1,228	1,228
Disposals/Written off	–	–	(112)	–	(112)
Transfer in/(out)	–	568	695	(1,263)	–
Revaluation adjustments	71	190	–	–	261
At 31 December 2008	180	8,100	37,187	58	45,525
Representing:					
- At cost	–	–	37,187	58	37,245
- At valuation	180	8,100	–	–	8,280
At 31 December 2008	180	8,100	37,187	58	45,525
Accumulated depreciation and impairment losses					
At 1 January 2008	–	566	33,782	–	34,348
Depreciation charge for the year (Note 3ii)	–	208	1,311	–	1,519
Disposals/Written off	–	–	(107)	–	(107)
Revaluation adjustments	–	(774)	–	–	(774)
At 31 December 2008	–	–	34,986	–	34,986
Net carrying amount					
- At cost	–	–	2,201	58	2,259
- At valuation	180	8,100	–	–	8,280
At 31 December 2008	180	8,100	2,201	58	10,539
Net carrying value (had the revalued property, plant and equipment been carried at cost less depreciation)					
At 31 December 2009	**123**	**6,692**	**2,508**	**216**	**9,539**
At 31 December 2008	123	6,894	2,201	58	9,276

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group/Company

Freehold land and buildings owned by the Group and the Company were revalued in 2008 by the directors based on a valuation carried out by firms of professional valuers as follows.

	Valuer	Date of valuation	Description of property	Valuation Amount RM'000	Basis of valuation
(i)	Judy Ong Mei-Chen, MRICS MISM Chartered Valuation Surveyor & Registered Valuer	10 Sept 2008	Office lot in Kuala Lumpur	4,100	Open market value
(ii)	Tay Tam, FISM Registered Valuer	16 Oct 2008	Vacant land in Juru	180	Open market value
		16 Oct 2008	80 units flats in Bukit Mertajam	4,000	Open market value
		20 Oct 2008	Land and Tin Smelting industrial complex in Butterworth	24,043	Depreciated replacement cost
		14 Oct 2008	Land and buildings in Daerah Hulu Perak	278	Depreciated replacement cost
(iii)	Ir Antonius Setiady, SCV, MAPPI (Cert) Public Valuer, Registered Valuer	31 Dec 2008	Buildings in Koba, Bangka Island	2,873	Depreciated replacement cost
		31 Dec 2008	Buildings in Pangkal Pinang, Bangka Island	265	Depreciated replacement cost
		31 Dec 2008	Buildings in Air Kantung, Bangka Island	1,175	Depreciated replacement cost
				36,914	

10. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	**2008**
	RM'000	**RM'000**
Leasehold land		
At 1 January	**1,298**	1,354
Additions	**112**	–
Exchange translation differences	**(9)**	33
Amortisation for the year (Note 3ii)	**(89)**	(89)
At 31 December	**1,312**	1,298
Analysed as:		
Long term leasehold land	**35**	35
Short term leasehold land	**1,277**	1,263
	1,312	1,298

The short term leasehold land have unexpired lease periods of between 1 and 25 years (2008: 1 and 26 years). The long term leasehold land has unexpired lease period of 53 and 57 years (2008: 54 and 58 years). Application for renewal of a lease which expired in year 2009 has been submitted and awaiting for approval from the relevant authority.

11. INTANGIBLE ASSETS

Group	**Mining rights RM'000**	**Goodwill RM'000**	**Total RM'000**
Cost			
At 1 January 2009	**12,103**	**–**	**12,103**
Acquisition of subsidiaries	**–**	**6,166**	**6,166**
At 31 December 2009	**12,103**	**6,166**	**18,269**
Accumulated amortisation			
At 1 January 2009	**7,482**	**–**	**7,482**
Amortisation for the year (Note 3ii)	**2,938**	**–**	**2,938**
At 31 December 2009	**10,420**	**–**	**10,420**
Net carrying amount			
At 31 December 2009	**1,683**	**6,166**	**7,849**
At 31 December 2008	4,621	–	4,621

11. INTANGIBLE ASSETS (CONT'D)

Mining rights consist of the estimated fair value of tin reserves and resources of Rahman Hydraulic Tin Sdn. Bhd. at date of acquisition and cost incurred for the renewal of the mining rights. The acquisition price was based on the projected value of the estimated quantity of recoverable ore reserves and resources of the mining lease.

Based on the assessment and review made by the management, there is no indication of impairment in the mining rights of Rahman Hydraulic Tin Sdn. Bhd..

The goodwill arises from acquisition of Australia Oriental Minerals NL (AOM) and Asiatic Coal Private Limited (ACPL) during the year.

11.1 Impairment test on goodwill

During the year, the Group has carried out review of the recoverable amount of its goodwill and it does not lead to any impairment loss.

The recoverable amount of the goodwill as at the end of the financial year was determined:

(a) Based on value in use

The recoverable amount of goodwill as at the end of the financial year for goodwill arising from the acquisition of ACPL was determined based on a value in use calculation by discounting the future cash flows generated from the continuing use of the cash generating unit ("CGU") and was assessed based on the estimated quantity of economically recoverable coal reserves.

Key assumptions are as follows:

(i)	Economically recoverable coal reserves and resources	:	1,500,000 tonnes	
(ii)	Coal price	:	**Year**	**USD/tonne**
			2010	75
			2011	100
			2012	120
			2013	140
			2014	160
			2015	160
			2016	160
(iii)	Discount rate	:	20%	
(iv)	Exchange rate	:	USD1.00 : RM3.40	

Sensitivity analysis

With other variables held constant, the sensitivity to impairment loss on change in key assumptions according to analysis is estimated to be as follows:

(i) If coal price decreased by 1.0%, goodwill will suffer an impairment of RM9,000; and

(ii) If the discount rate increased to 20.25%, goodwill will suffer an impairment of RM94,000.

(b) Based on fair value less cost to sell

The recoverable amount of goodwill as at the end of the financial year for goodwill arising from the acquisition of AOM which is a company listed in the Australian Securities Exchange, was determined based on fair value less cost to sell. The fair value is based on market bid prices of AUD0.004 per share, traded in this active market.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

12. INVESTMENT IN SUBSIDIARIES

	Company 2009 RM'000	Company 2008 RM'000
Quoted shares, at cost	**47,814**	–
Less: Accumulated impairment losses	**(28,149)**	–
	19,665	–
Unquoted shares, at cost	**90,072**	18,366
	109,737	18,366
Market value of quoted shares	**20,600**	–

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2009 %	Proportion of ownership interest 2008 %
Held by the Company:				
Malaysia Smelting Corporation (Warehousing) Sdn. Bhd.*	Malaysia	Tin warehousing	**100**	100
MSC Properties Sdn. Bhd.*	Malaysia	Property holding and rental	**100**	100
Rahman Hydraulic Tin Sdn. Bhd.*	Malaysia	Tin mining	**100**	100
Bemban Corporation Ltd.*	British Virgin Islands	Investment holding	**100**	100
PT MSC Indonesia**	Indonesia	Tin exploration and mining	**100**	100
Australia Oriental Minerals NL ***+ (Note 12(a))	Australia	Tin and base metals exploration	**77**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2009	2008
			%	%
Held through subsidiaries:				
Kajuara Mining Corporation Pty. Ltd.**	Australia	Investment holding	**100#**	100#
PT Koba Tin**	Indonesia	Tin mining and smelting	**75#**	75#
PT Bangka Resources***	Indonesia	Dormant	**100#**	100#
PT Tenaga Anugerah*** (Note 12(b))	Indonesia	Off-shore tin mining	**–**	60#
PT Asiatic Coal Nusantara ** (Note 12(a))	Indonesia	Coal mining	**100#**	–
Held through the Company and a subsidiary:				
Asiatic Coal Private Limited ** (Note 12(a))	Singapore	Investment holding	**53#**	–

* Audited by Ernst & Young, Malaysia
** Audited by member firm of Ernst & Young Global in the respective countries
*** Audited by firms of auditors other than Ernst & Young
\# Indirect interest
\+ The auditors' report on the financial statements of Australia Oriental Minerals NL ("AOM") for the year ended 31 December 2009 though not qualified, contained an emphasis of matter with respect to the "Critical Accounting Estimates and Judgements" where the Directors of AOM set out information and the underlying assumptions they used when assessing the appropriateness of the carrying value of AOM's Investment in its associated company, Asiatic Coal Private Limited ("ACPL"). The auditors' report mentioned that the ultimate reasonableness of the carrying value of the investment in ACPL cannot be presently determined and no impairment write-down has been made in the financial statements of AOM.

(a) Acquisition of subsidiaries (AOM and ACPL)

On 25 August 2009, the Company subscribed for a total of 1,367,728,522 new ordinary shares amounting to approximately RM16.12 million in a renounceable rights issue in an associate, Australia Oriental Minerals NL (AOM) so as to enable AOM to repay its outstanding loan of AUD5.0 million and related interest expense to the Company.

Following the completion of AOM rights issue:

(i) the Company's direct shareholding in AOM increased from 42.7% to 76.9% and AOM became a subsidiary of the Company; and
(ii) the Company's effective interest in Asiatic Coal Private Limited (ACPL), a 30% owned associate of AOM, of which the Company also has a 30% direct interest, increased from 42.8% to 53.1% and ACPL became an indirect subsidiary of the Company.

The acquisition of AOM and ACPL in 2009 had contributed the following results to the Group:

	2009 RM'000
Revenue	**666**
Loss for the year	**411**

If the acquisition had occurred on 1 January 2009, the Group's revenue and loss for the year would have been RM666,000 and RM3,623,000 respectively.

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (AOM and ACPL) (cont'd)

The assets and liabilities arising from the acquisition were as follows:

	Fair value recognised on acquisition RM'000	Acquirees' carrying amount RM'000
Property, plant and equipment	75	75
Deferred exploration and evaluation expenditure	11,554	11,554
Mining assets	77,164	–
Investment in associated company	–	21,981
Inventory	4,288	4,288
Cash, bank balances and deposits	1,891	1,891
Deferred tax assets	53	53
Other receivables	421	421
	95,446	40,263
Trade and other payables	(9,687)	(9,687)
Provision for liabilities	(237)	(237)
Deferred tax liabilities	(19,291)	–
	(29,215)	(9,924)
Fair value of net assets	66,231	
Less: Minority interests	(29,591)	
Group's share of net assets	36,640	
Goodwill on acquisition	6,166	
Total cost of acquisition	42,806	

The cash outflow on acquisition is as follow:

	RM'000
Total cost of acquisition	42,806
Less: Non-cash purchase consideration	(42,806)
Total cash outflow of the Company	–
Cash and cash equivalents in the companies acquired	1,891
Net cash inflow of the Group	1,891

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Deemed disposal of a subsidiary (PT TA)

The Group was deemed to have disposed its 60% equity interest in PT Tenaga Anugerah ("PT TA") on 31 October 2009 following the dilution in PT TA equity interest from 60% to 40%.

The deemed disposal had the following effects on the financial position of the Group as at the end of the year:

	2009 RM'000
Deferred exploration and evaluation expenditure	19,095
Property, plant and equipment	22,561
Inventories	974
Other receivables	6,654
Cash and bank balances	688
Trade and other payables	(53,581)
Minority interest	(274)
Net liabilities deemed disposed	(3,883)
Total deemed disposal proceeds	–
Gain on deemed disposal to the Group (Note 3ii)	(3,883)
Cash outflow arising on disposal:	
Cash and cash equivalents of subsidiary deemed disposed	(688)
Net cash outflow of the Group	(688)

13. INVESTMENT IN ASSOCIATES

		Group		Company	
	Note	**2009 RM'000**	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
In Malaysia:					
Unquoted shares, at cost		**54,894**	10,473	**10,473**	10,473
Share of post-acquisition reserves		**7,013**	7,327	**–**	–
		61,907	17,800	**10,473**	10,473
Outside Malaysia:					
Quoted shares, at cost		**180,852**	211,862	**180,852**	211,862
Unquoted shares, at cost		**18,842**	41,770	**86,730**	41,770
		199,694	253,632	**267,582**	253,632
Share of post-acquisition reserves		**(12,272)**	(41,206)	**–**	–
		187,422	212,426	**267,582**	253,632
Impairment of investment	13.1	**(35,411)**	(35,726)	**(35,000)**	(62,971)
		152,011	176,700	**232,582**	190,661
		213,918	194,500	**243,055**	201,134
Market value of quoted shares		**40,170**	36,317	**40,170**	36,317

13. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Proportion of ownership interest 2009 %	2008 %
Held by the Company:				
Redring Solder (M) Sdn. Bhd.	Malaysia	Manufacture and sale of solder products	**40**	40
Asian Mineral Resources Limited*	New Zealand(1)	Exploration and development of mineral property interests(2)	**18**	18
BCD Resources NL (formerly known as Beaconsfield Gold NL)	Australia	Mining and refining of gold, and exploration of base metals	**22**	22
Guilin Hinwei Tin Co Ltd.	China	Smelting, refining and sales of tin and tin products	**35**	35
KM Resources, Inc.	Labuan, Malaysia	Investment holding	**30**	–
PT Tenaga Anugerah (Note 12(b))	Indonesia	Off-shore tin mining	**40**	–
Australia Oriental Minerals NL (Note 12(a))	Australia	Tin and base metal exploration	**–**	43
Held through the Company and a subsidiary:				
Asiatic Coal Private Limited (Note 12(a))	Singapore	Investment holding	**–**	43#

\# Indirect interest

* Although the Company holds less than 20% interest in the shareholding of Asian Mineral Resources Limited (AMR), the Company exercises significant influence by virtue of its contractual right to appoint a director to the Board of this associate company.

During the year, the Company subscribed for 2,319,091 new shares in AMR, a company listed on Toronto Stock Exchange, with a total cost of approximately RM686,000. Consequently, AMR remains as an associate company of the Group.

(1) AMR was originally incorporated in New Zealand in year 1988 and was subsequently incorporated under the laws of the Province of British Columbia, Canada by a certificate of continuance as of December 2004.

(2) Its principal mineral property interests, held through a joint-venture is in Ban Phuc Project area located in Son La Province, in northwestern Vietnam.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2009

13. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates are as follows:

	Group	
	2009	**2008**
Share of associates' balance sheets	**RM'000**	**RM'000**
Assets and liabilities		
Current assets	**66,361**	43,840
Non-current assets	**259,579**	219,175
Total assets	**325,940**	263,015
Current liabilities	**51,252**	26,563
Non-current liabilities	**25,359**	6,226
Total liabilities	**76,611**	32,789
Share of associates' revenue and profit/(loss)		
Results		
Revenue	**90,991**	84,554
Profit/(Loss) for the year	**221**	(13,878)

The Company acquired several associates during the year. As at 31 December 2009, the fair value of the assets and liabilities arising from the acquisition of such associates have been determined on a provisional basis. The fair value of such assets and liabilities have not been finalised by the date the financial statements were authorised for issue. Goodwill arising from the acquisition, the fair value of assets and liabilities, deferred tax liabilities and acquisition revaluation reserves will be adjusted accordingly on a retrospective basis when the fair value of such assets and liabilities are finalised.

13.1 (Impairment)/Reversal of impairment

Group/Company

There was no additional impairment loss for investment in AMR for 2009 (2008: RM35.0 million) based on discounted cash flow on the estimated quantity of economically recoverable nickel reserves.

Key assumptions are as follows:

(i) Economically recoverable Nickel reserves and resources : 28,852 tonnes

(ii) Nickel price :

Year	USD/tonne
2011	20,000
2012	25,000
2013	28,000
2014	30,000
2015	32,000
2016	32,000

(iii) Discount rate : 16.30%

(iv) Exchange rate : USD1.00 : RM3.40

(v) Commencement of commercial production : 1 July 2011

13. INVESTMENT IN ASSOCIATES (CONT'D)

13.1 (Impairment)/Reversal of impairment (cont'd)

With other variable held constant, the sensitivity to impairment loss on change in key assumptions is estimated to be as follows:

Key assumptions	Change	Increase in/(Reversal of) impairment loss RM'000
Nickel price	+1%	(1,200)
	–1%	1,200
Discount rate	+0.5%	1,600
	–0.5%	(1,700)
Exchange rate	+1%	(800)
	–1%	800
Commencement of commercial production	Delay by 6 months	5,800

14. OTHER INVESTMENTS

	Group and Company	
	2009 RM'000	2008 RM'000
Outside Malaysia:		
- Quoted shares, at cost	**1,108**	1,108
- Unquoted investment, at cost	**–**	47,150
	1,108	48,258
Impairment of investment	**(943)**	(997)
	165	47,261
Market value	**165**	111

(a) Unquoted investment, at cost

This represents cash payment amounting to nil (2008: RM47,150,000) pertaining to the Company's investment in Rapu Rapu Polymetallic Project in Philippines, where share certificates have yet to be issued as at 31 December 2008.

On 31 December 2009, the Company was allotted 13,590,030 new ordinary shares amounting to approximately RM44,421,000 in KM Resources, Inc. (KMR), a company incorporated in Labuan, Malaysia which is the holding company for companies under the Rapu Rapu Polymetallic Project. Consequently, the amount of RM44,421,000 was reclassified to investment in associates. The balance of RM81,000 incidental cost is charged to income statement while RM2,648,000 is converted to advance to a subsidiary of KMR as disclosed in Note 17(c).

(b) Quoted shares, at cost

The quoted shares comprises investment in Republic Gold Limited, a company incorporated in Australia.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

15. OTHER ASSETS

	Deferred exploration and evaluation expenditure RM'000	Deferred mine development expenditure RM'000	Mining assets RM'000	Total RM'000
Group				
2009				
At 1 January 2009	**34,877**	**29,851**	**–**	**64,728**
Acquisition of subsidiaries (Note 12)	**11,554**	**–**	**77,164**	**88,718**
Additions	**5,642**	**25,962**	**–**	**31,604**
Deemed disposal of a subsidiary (Note 12)	**(19,095)**	**–**	**–**	**(19,095)**
Amortisation to income statement (Note 3ii)	**(2,392)**	**(7,165)**	**–**	**(9,557)**
Write off to income statement (Note 3ii)	**(1,469)**	**–**	**–**	**(1,469)**
Exchange translation differences	**(419)**	**(167)**	**–**	**(586)**
At 31 December 2009	**28,698**	**48,481**	**77,164**	**154,343**
2008				
At 1 January 2008	11,599	10,500	–	22,099
Additions	25,340	25,330	–	50,670
Transfer	(163)	163	–	–
Amortisation to income statement (Note 3ii)	(37)	(6,203)	–	(6,240)
Write off to income statement (Note 3ii)	(2,128)	–	–	(2,128)
Amortisation to inventory	(203)	(130)	–	(333)
Exchange translation differences	469	191	–	660
At 31 December 2008	34,877	29,851	–	64,728

(i) Mine exploration and evaluation and development expenditure represent expenditures incurred for several areas of interest. The costs are carried forward to the extent that they are expected to be recouped through the successful development of the areas or activities of the areas have not reached a stage that permits reasonable assessment of the existence of economically recoverable ore reserves.

(ii) Mining assets are the fair value of ecomically recoverable coal reserves based on 1,500,000 tonnes of estimated recoverable coal resources at US Dollar 15 per tonne arising from the acquisition of Asiatic Coal Private Limited.

Based on assessment and review made by management, there is no indication of impairment for other assets.

16. INVENTORIES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**350,861**	232,115	**223,824**	73,100
Other inventories (stores, spares, fuels, coal and by-products)	**29,689**	28,708	**7,466**	8,016
	380,550	260,823	**231,290**	81,116

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
Non-current	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Other receivables				
An associate	**2,648**	–	**2,648**	–
Current				
Trade receivables				
Third parties	**134,788**	157,564	**129,920**	157,564
Provision for doubtful debts				
Third parties	**(3,100)**	(3,100)	**(3,100)**	(3,100)
Trade receivables, net	**131,688**	154,464	**126,820**	154,464
Other receivables				
Third parties	**51,656**	78,801	**18,552**	31,997
Subsidiaries	**–**	–	**94,589**	148,015
Related companies	**1,102**	2,916	**2,627**	3,228
Associates	**15,229**	13,699	**15,229**	13,699
	67,987	95,416	**130,997**	196,939
Deposits	**2,167**	1,581	**754**	759
Prepayments	**6,275**	5,863	**–**	–
	76,429	102,860	**131,751**	197,698
Provision for doubtful debts				
- Third parties	**(2,517)**	(1,299)	**(1,599)**	(362)
Other receivables, net	**73,912**	101,561	**130,152**	197,336
	205,600	256,025	**256,972**	351,800

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

17. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Credit risk

The carrying amount of trade and other receivables, amount due from related companies and associates, deposits, and prepayments represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risks, or the risk 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 associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group's normal trade credit terms range from cash payment to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has a concentration of credit risk that may arise from exposures to a single debtor which constitutes approximately 15.3% (2008: 25.1%) of its trade receivables and 41.4% (2008: 48.2%) of its other receivables.

(b) Amount due from subsidiaries

Amount due from subsidiaries are unsecured and repayable on demand. Included in amounts due from subsidiaries are unsecured advances to subsidiaries amounting to RM92.83 million (2008: RM145.20 million). Interest rates of between 3.0% and 8.0% (2008: 3.0% and 9.8%) per annum are charged on these advances.

(c) Amount due from associates

The amount of RM2,648,000 due from an associate under other receivables in non-current is due from a subsidiary of KM Resources, Inc., i.e. Rapu Rapu Processing Inc.. This is an unsecured long term loan bearing interest at 4% per annum.

The amount due from associates, under other receivables in current assets comprises secured and unsecured short term loan of Nil (2008:RM1.20 million) and RM15.23 million (2008: RM12.50 million) respectively. The RM15.23 million for 2009 is a prepayment to PT Tenaga Anugerah to be converted to paid up capital of the associate. There is no interest charge on this prepayment (2008: interest was charged at 8% and 10% per annum on the short term loan).

(d) Amount due from related companies

Amount from related companies are short term advances, for working capital and are unsecured, interest free and repayable on demand.

Further details on related party transactions are disclosed in Note 28.

Other information on financial risks of receivables are disclosed in Note 29.

18. CASH, BANK BALANCES AND DEPOSITS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash on hand and at banks	**26,622**	29,728	**7,245**	23,597
Deposits with:				
- licensed banks	**38,417**	40,313	**23,484**	22,199
- other financial institution	**246**	2,533	**246**	2,533
Cash and bank balances	**65,285**	72,574	**30,975**	48,329

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

19. PROVISIONS

	Severance benefits RM'000	Mine rehabilitation RM'000	Total RM'000
Group			
At 1 January 2009	**9,704**	**19,307**	**29,011**
Acquisition of a subsidiary (Note 12)	**–**	**237**	**237**
Provision during the year (Note 3ii & 5)	**4,623**	**1,261**	**5,884**
Unwinding of discount on provision (Note 4)	**–**	**117**	**117**
Paid/Utilised during the year	**(635)**	**–**	**(635)**
Plan asset (Note 19(a))	**(7,771)**	**–**	**(7,771)**
Exchange translation differences	**1,804**	**(247)**	**1,557**
Reclass to other payables	**–**	**(92)**	**(92)**
At 31 December 2009	**7,725**	**20,583**	**28,308**
At 31 December 2009			
Current	**2,532**	**4,776**	**7,308**
Non-current:			
Later than 1 year but not later than 2 years	**–**	**5,120**	**5,120**
Later than 2 years but not later than 5 years	**5,120**	**4,733**	**9,853**
Later than 5 years	**73**	**5,954**	**6,027**
	5,193	**15,807**	**21,000**
	7,725	**20,583**	**28,308**
At 31 December 2008			
Current	320	–	320
Non-current:			
Later than 1 year but not later than 2 years	964	–	964
Later than 2 years but not later than 5 years	6,730	–	6,730
Later than 5 years	1,690	19,307	20,997
	9,384	19,307	28,691
	9,704	19,307	29,011

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

19. PROVISIONS (CONT'D)

(a) Severance benefits

The subsidiaries in Indonesia operate a partly funded, Severance Benefits Scheme ("the Scheme") for their eligible employees. Under the Scheme, eligible permanent employees confirmed in service are entitled to severance benefits due to reduction or termination of operations, termination due to ill-health or death and on attainment of the normal retirement age of 55 or early retirement age of 50 due to ill-health. The obligations under the Scheme are determined based on actuarial valuation.

The amounts recognised in the balance sheet are determined as follows:

	Group	
	2009	**2008**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations	**36,140**	25,663
Fair value of plan asset	**(19,206)**	(9,109)
Unrecognised actuarial losses	**(7,507)**	(4,824)
Unrecognised past service costs	**(1,702)**	(2,026)
Net liability	**7,725**	9,704
Analysed as:		
Current	**2,532**	320
Non-current:		
Later than 1 year but not later than 2 years	**–**	964
Later than 2 years but not later than 5 years	**5,120**	6,730
Later than 5 years	**73**	1,690
	5,193	9,384
	7,725	9,704

The amounts recognised in the income statement are as follows:

	Group	
	2009	**2008**
	RM'000	**RM'000**
Current service cost	**1,646**	1,474
Interest cost	**3,147**	2,405
Net actuarial losses	**657**	559
Past services costs	**586**	591
Expected return on plan asset	**(1,413)**	(913)
Total, included in employee benefits expense (Note 5)	**4,623**	4,116

The amounts charged to income statement for 2009 and 2008 have been included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

19. PROVISIONS (CONT'D)

(a) Severance benefits (cont'd)

Movements in the net liability in the current year are as follows:

	Group	
	2009	**2008**
	RM'000	**RM'000**
At 1 January	**9,704**	17,669
Recognised in income statement (Note 5)	**4,623**	4,116
Contribution paid	**(635)**	(6)
Plan asset	**(7,771)**	(11,369)
Exchange translation differences	**1,804**	(706)
At 31 December	**7,725**	9,704

Principal actuarial assumptions used:

	2009	**2008**
	% per annum	**% per annum**
Discount rate	**9.00 - 11.00**	12.00
Expected rate of salary increases	**10.00**	10.00

Plan asset

This is in respect of insurance scheme for a severance pay product based on an agreement between a subsidiary in Indonesia and an insurance company in Indonesia.

The subsidiary will pay the funding for the future benefit payments to the insurer, and the insurer will accumulate the subsidiary's funding in a managed pooled fund. The calculation for the benefits refers to the Collective Labour Agreement and in certain circumstances to Indonesian Labour Law. The fund earns interest at the rate of 9.5% per annum.

(b) Mine rehabilitation

The provision for mine rehabilitation is in respect of mine rehabilitation expenditure to be incurred subsequent to the cessation of production of each mine property. It is provided based on the present value of the estimated expenditure to be incurred.

20. BORROWINGS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term borrowings				
Unsecured:				
Short term trade financing	**209,275**	263,010	**209,275**	263,010
Bankers' acceptances	**263,807**	114,564	**263,807**	114,564
Revolving credit	**8,574**	104,427	**8,574**	89,509
Term loan 1	**3,000**	3,000	**3,000**	3,000
Term loan 2	**18,005**	13,033	**–**	–
Term loan 3	**6,859**	5,213	**6,859**	5,213
	509,520	503,247	**491,515**	475,296
Long term borrowings				
Unsecured:				
Revolving credit	**56,587**	–	**56,587**	–
Term loan 1	**3,000**	6,000	**3,000**	6,000
Term loan 2	**66,875**	86,019	**–**	–
Term loan 3	**11,693**	10,256	**11,693**	10,256
	138,155	102,275	**71,280**	16,256
Total borrowings				
Unsecured:				
Short term trade financing	**209,275**	263,010	**209,275**	263,010
Bankers' acceptances	**263,807**	114,564	**263,807**	114,564
Revolving credit	**65,161**	104,427	**65,161**	89,509
Term loan 1	**6,000**	9,000	**6,000**	9,000
Term loan 2	**84,880**	99,052	**–**	–
Term loan 3	**18,552**	15,469	**18,552**	15,469
	647,675	605,522	**562,795**	491,552

The unsecured term loan 1 is denominated in Ringgit Malaysia and is repayable by 8 semi-annual principal repayments of RM1.50 million each commencing on 1 May 2008.

The unsecured term loan 2 is denominated in US Dollar and is repayable by 20 quarterly principal repayments commencing on 20 September 2008.

The unsecured term loan 3 is denominated in US Dollar and is repayable by 16 quarterly principal repayments commencing on 11 May 2009.

The revolving credit which is denominated in US Dollar was restructured to long term facility and is repayable by 10 semi-annual principal repayments commencing on 30 September 2009.

Other information on financial risks on borrowings are disclosed in Note 29(b).

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	**27,981**	17,905	**19,765**	7,296
Subsidiaries	**–**	–	**22,880**	44,744
An associate	**–**	50	**–**	50
	27,981	17,955	**42,645**	52,090
Other payables				
Third parties	**42,890**	41,653	**15,716**	20,225
A subsidiary	**–**	–	**788**	77
Associates	**534**	500	**500**	500
	43,424	42,153	**17,004**	20,802
Accruals	**6,400**	6,504	**1,031**	3,272
	49,824	48,657	**18,035**	24,074
	77,805	66,612	**60,680**	76,164

(a) Trade payables - third parties

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from cash payment to 90 days.

(b) Other payables - third parties

Other payables are non-interest bearing and the normal credit terms granted to the Group range from cash payment to 90 days.

(c) Amount due to subsidiaries

Amount due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 28.

Other information on financial risks of payables are disclosed in Note 29.

(d) Amount due to associates

The amount due to an associate under trade payables, is unsecured, interest free and subject to the Group's normal credit terms which range from cash payment to 90 days.

Included in amount due to associates under other payables is a security deposit amounting to RM500,000 (2008: RM500,000) received from Redring Solder (M) Sdn. Bhd. for its purchase of refined tin metal. The amount is placed in fixed deposit with a licensed bank and earns interest at an average rate of 2.85% (2008: 3.70%) per annum. The fixed deposit interest earned on the security deposit is payable to the associate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

22. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2009	2008	2009	2008
	'000	'000	RM'000	RM'000
Authorised:				
At 1 January	**500,000**	100,000	**500,000**	100,000
Created during the year	**–**	400,000	**–**	400,000
At 31 December	**500,000**	500,000	**500,000**	500,000
Issued and fully paid:				
At 31 December	**75,000**	75,000	**75,000**	75,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

23. OTHER RESERVES (NON-DISTRIBUTABLE)

	Revaluation reserve - land and buildings RM'000	Foreign currency translation reserve RM'000	Capital reserve RM'000	Total RM'000
Group				
At 1 January 2008	11,415	(13,853)	1,706	(732)
Foreign currency translation	–	6,509	–	6,509
Revaluation surplus, net of deferred tax	3,690	–	–	3,690
At 31 December 2008	15,105	(7,344)	1,706	9,467
At 1 January 2009	**15,105**	**(7,344)**	**1,706**	**9,467**
Foreign currency translation	**–**	**(1,010)**	**–**	**(1,010)**
At 31 December 2009	**15,105**	**(8,354)**	**1,706**	**8,457**
Company				
At 1 January 2008	3,443	–	–	3,443
Revaluation surplus, net of deferred tax	983	–	–	983
At 31 December 2008	4,426	–	–	4,426
At 1 January/31 December 2009	**4,426**	**–**	**–**	**4,426**

23. OTHER RESERVES (NON-DISTRIBUTABLE) (CONT'D)

The nature and purpose of each category of reserve are as follows:

(a) Revaluation reserve

The revaluation reserve is used to record 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.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record 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 is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, regardless of the currency of the monetary item.

(c) Capital reserve

The capital reserve represents share of post acquisition share premium of an associate, i.e. Redring Solder (M) Sdn. Bhd..

24. RETAINED EARNINGS

As at 31 December 2009, the Company has tax exempt profits available for distribution of approximately RM108 million (2008: RM46 million), subject to the agreement of the Inland Revenue Board.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the revised 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the revised 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the revised 108 balance as at 31 December 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2009, the Company has sufficient credit in the revised 108 balance to pay franked dividends out of its entire retained earnings.

25. DEFERRED TAX

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	**(16,040)**	(22,368)	**(4,614)**	(1,439)
Acquisition of subsidiaries	**19,238**	–	**–**	–
Recognised in the income statement (Note 6)	**4,459**	6,867	**3,844**	(3,226)
Recognised in the equity	**–**	293	**–**	51
Exchange translation differences	**205**	(832)	**–**	–
At 31 December	**7,862**	(16,040)	**(770)**	(4,614)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(12,572)**	(18,073)	**(770)**	(4,614)
Deferred tax liabilities	**20,434**	2,033	**–**	–
	7,862	(16,040)	**(770)**	(4,614)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

25. DEFERRED TAX (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2009	**8,670**	**(859)**	**7,811**
Acquisition of subsidiaries	**19,291**	**–**	**19,291**
Recognised in income statement	**(668)**	**(222)**	**(890)**
Exchange translation difference	**(31)**	**3**	**(28)**
At 31 December 2009	**27,262**	**(1,078)**	**26,184**
At 1 January 2008	9,095	(814)	8,281
Recognised in income statement	(828)	(45)	(873)
Recognised in equity	293	–	293
Exchange translation difference	110	–	110
At 31 December 2008	8,670	(859)	7,811

Deferred tax assets of the Group

	Unused tax losses and unabsorbed capital allowances RM'000	Other provisions RM'000	Total RM'000
At 1 January 2009	**(4,215)**	**(19,636)**	**(23,851)**
Acquisition of subsidiaries	**(53)**	**–**	**(53)**
Recognised in income statement	**4,268**	**1,081**	**5,349**
Exchange translation differences	**–**	**233**	**233**
At 31 December 2009	**–**	**(18,322)**	**(18,322)**
At 1 January 2008	–	(30,649)	(30,649)
Recognised in income statement	(4,215)	11,955	7,740
Exchange translation differences	–	(942)	(942)
At 31 December 2008	(4,215)	(19,636)	(23,851)

25. DEFERRED TAX (CONT'D)

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2009	**1,082**	**(859)**	**223**
Recognised in income statement	**222**	**(222)**	**–**
At 31 December 2009	**1,304**	**(1,081)**	**223**
At 1 January 2008	1,723	(814)	909
Recognised in income statement	(692)	(45)	(737)
Recognised in equity	51	–	51
At 31 December 2008	1,082	(859)	223

Deferred tax assets of the Company

	Unused tax losses and unabsorbed capital allowances RM'000	Other provisions RM'000	Total RM'000
At 1 January 2009	**(4,215)**	**(622)**	**(4,837)**
Recognised in income statement	**4,215**	**(371)**	**3,844**
At 31 December 2009	**–**	**(993)**	**(993)**
At 1 January 2008	–	(2,348)	(2,348)
Recognised in income statement	(4,215)	1,726	(2,489)
At 31 December 2008	(4,215)	(622)	(4,837)

(a) Deferred tax assets have not been recognised in respect of the following item:

	Group 2009 RM'000	2008 RM'000
Unutilised tax losses	**82,116**	41,017

The unutilised tax losses of the Group comprises:

(i) an amount of RM14,000 (2008: RM13,000) available for offsetting against future taxable income of a subsidiary subject to no substantial change in shareholdings of the subsidiary under the Income Tax Act, 1967 and guidelines issued by the tax authority.

(ii) an amount of RM46,788,000 (2008: RM41,004,000) that arose from a subsidiary in Indonesia, which is subject to agreement by the tax authorities, may be carried forward and utilised to offset future taxable income for up to five years following the year in which the tax loss occurred.

(iii) an amount of RM35,314,000 (2008: Nil) that arose from a subsidiary in Australia, which is subject to agreement by the tax authorities, may be carried forward and utilised to offset future taxable income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

25. DEFERRED TAX (CONT'D)

(b) At the balance sheet date, no deferred tax liability (2008:nil) has been recognised for taxes that would be payable on the undistributed earnings of a foreign subsidiary. The Group has determined that undistributed earnings of the subsidiary will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to RM127,226,000 (2008: RM143,366,000). The deferred tax liability is estimated to be RM19,084,000 (2008: RM21,505,000).

26. CAPITAL COMMITMENTS

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Capital expenditure:				
Approved and contracted for:				
- Property, plant and equipment	**1,797**	405	**797**	405
Approved but not contracted for:				
- Property, plant and equipment	**2,000**	2,603	**–**	–

27. CONTINGENT LIABILITIES (UNSECURED)

Group

At 31 December 2009, the Group has the following contingent liabilities:

(a) A bank guarantee for RM1.0 million issued by the Company to Kuala Lumpur Tin Market.

(b) Since the takeover of Rahman Hydraulic Tin Sdn. Bhd. (RHT) on 22 November 2004, the following legal suit is pending against RHT:

Two former directors of RHT had made a claim for compensation amounting to approximately RM2.4 million pursuant to service agreements entered on 31 March 2000 between them and RHT. One of the former directors has commenced proceedings in the Industrial Court for wrongful dismissal as the Managing Director of RHT, seeking reinstatement. The claims were dismissed by the Industrial Court. The appeal of the director for a Judical Review was also dismissed by the court. The director further appealed to the Court of Appeal on 29 June 2009 and no hearing date has been fixed yet. It is the vendor's intention to dispute the claims of these former directors based on its solicitors' advice that the service agreements are void and therefore are of no effect.

In accordance with the Sale of Shares Agreement dated 1 October 2004 between the vendor of RHT and the Company (the Purchaser), the vendor shall do the necessary to defend and settle all legal suits against RHT in relation to matters occurred prior to completion date, being 22 November 2004 or shall cause these legal suits to be transferred from RHT to the vendor.

(c) On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company maintains that the allegation is baseless and has accordingly filed its statement of defence. The date for next case management has not been fixed.

(d) In May 2008, the Minister of Energy and Mineral Resources, Indonesia issued a new regulation regarding mine reclamation and closure as detailed in the Minister Regulation No. 18 year 2008, which requires a company to provide a mine closure guarantee in the form of a time deposit placed in a state owned bank in Indonesia. The subsidiary in Indonesia does not believe that a deposit is required under the terms of its Contract of Work but it is working with the Indonesian Mining Association to review these requirements with the Indonesian government and discuss other options for the mine closure guarantee.

27. CONTINGENT LIABILITIES (UNSECURED) (CONT'D)

Company

At 31 December 2009 the Company has the following contingent liabilities:

(a) A bank guarantee for RM1.0 million issued by the Company to Kuala Lumpur Tin Market.

(b) A bank guarantee for RM1.2 million given by the Company to the Perak State Authorities on behalf of a subsidiary.

(c) A standby letter of credit for RM146.6 million (USD42.75 million) issued as guarantee for bank facilities amounting to RM84.0 million (USD24.5 million) utilised by a subsidiary.

(d) On 7 February 2006, the Company received a statement of claim from a party for RM1.28 million with interest at 8% p.a. from the date of summons to the date of settlement plus costs for an alleged cost overrun for the implementation of an Enterprise Resource Planning System. This came after a lapse of more than a year following the completion of the implementation. The Company maintains that the allegation is baseless and has accordingly filed its statement of defence. The date for next case management has not been fixed.

28. 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	2009	2008
Group		**RM'000**	**RM'000**
Related companies*:			
- Management fee charged		**7,193**	7,254
- Advances	(v)	**574**	1,498
Associates:			
- Sales of products	(i)	**36,802**	56,644
- Advances	(iv)	**2,130**	16,888
- Interest income	(iii)	**789**	584
- Loan		**2,648**	–
- Purchase of products		**3,682**	–
Company			
Subsidiaries:			
- Purchase of products	(ii)	**419,149**	469,206
- Interest income	(iii)	**6,140**	12,319
- Management fee received		**377**	352
- Advances	(iv)	**3,051**	43,643
- Rental paid		**1,796**	1,796
- Interest expense		**82**	–
- Dividend		**42,679**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

28. RELATED PARTY DISCLOSURES (CONT'D)

(a) Related party transactions (cont'd)

	Note	2009	2008
Company (cont'd)		**RM'000**	**RM'000**
Associates:			
- Sales of products	(i)	**36,802**	56,644
- Advances	(iv)	**2,130**	16,888
- Interest income	(iii)	**789**	584
- Loan		**2,648**	–
- Purchase of products		**3,682**	–
Related companies*			
- Management fee charged		**3,672**	3,672
- Advances	(v)	**574**	1,498

* The related companies are companies within The Straits Trading Company Limited group.

(i) The sale of products to an associate was made according to the market prices and conditions offered to the major customers of the Company. It is subject to the Group's normal credit terms which range from cash payment to 90 days.

(ii) The purchase of products from subsidiaries was made according to the market prices. Amount due to and due by subsidiaries on trade transaction are repayable on demand.

(iii) Interest income arose from the amounts due from subsidiaries and associates. Further details are disclosed in Note 17(b) and (c).

(iv) Advance to subsidiaries and associates are subject to interest charged as disclosed in Note 17(b) and (c).

(v) Advances to related companies are unsecured, interest free and repayable on demand.

Information regarding outstanding balances arising from related party transactions as at 31 December 2009 are disclosed in Note 17 and Note 21.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits	**4,635**	4,109	**426**	421
Post-employment benefits:				
- Defined contribution plan	**281**	405	**–**	–
	4,916	4,514	**426**	421

Included in the total compensation of key management personnel are:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 3ii)	**961**	782	**426**	421

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

29. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interests rate risks, foreign currency risk, liquidity risk, credit risk and commodity price risk. The policies for managing each of these risks are summarised below. It is the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash deposits and debt obligations.

The Group's policy is to manage its exposure to interest rate risk using floating rate for bank borrowings which can be swapped to fixed interest rate to mitigate its exposure where appropriate. The Group seeks to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group also enters into cross currency swap contract or interest rate swap contract to mitigate its exposure to interest rate risk for foreign currency long term debts where appropriate.

The Group places its 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the range of interest rates as at the balance sheet date and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

	Note	Range of interest rates % per annum	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Total RM'000
Group								
At 31 December 2009								
Fixed rate								
Amount due from an associate	17	**4.00**	**–**	**–**	**–**	**–**	**2,648**	**2,648**
Floating rate								
Cash and bank balances	18	**0.10 - 3.05**	**38,663**	**–**	**–**	**–**	**–**	**38,663**
Short term trade financing	20	**0.75 - 1.95**	**209,275**	**–**	**–**	**–**	**–**	**209,275**
Bankers' acceptances	20	**2.33 - 3.46**	**263,807**	**–**	**–**	**–**	**–**	**263,807**
Revolving credits	20	**2.32**	**8,574**	**13,718**	**17,148**	**17,148**	**8,573**	**65,161**
Term loans	20	**2.33 - 4.90**	**27,864**	**33,008**	**33,128**	**15,432**	**–**	**109,432**
Amount due to an associate		**2.20**	**500**	**–**	**–**	**–**	**–**	**500**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest rate risk (cont'd)

	Note	Range of interest rates % per annum	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Total RM'000
Company								
At 31 December 2009								
Fixed rate								
Amount due from an associate	17	**4.00**	**–**	**–**	**–**	**–**	**2,648**	**2,648**
Amount due from subsidiaries		**3.00 - 4.00**	**92,829**	**–**	**–**	**–**	**–**	**92,829**
Floating rate								
Cash and bank balances	18	**0.10 - 3.05**	**23,730**	**–**	**–**	**–**	**–**	**23,730**
Short term trade financing	20	**0.75 - 1.95**	**209,275**	**–**	**–**	**–**	**–**	**209,275**
Bankers' acceptances	20	**2.33 - 3.46**	**263,807**	**–**	**–**	**–**	**–**	**263,807**
Revolving credits	20	**2.32**	**8,574**	**13,718**	**17,148**	**17,148**	**8,573**	**65,161**
Term loans	20	**2.33 - 4.90**	**9,859**	**9,859**	**4,834**	**–**	**–**	**24,552**
Amount due to an associate	21	**2.20**	**500**	**–**	**–**	**–**	**–**	**500**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest rate risk (cont'd)

	Note	Range of interest rates % per annum	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Total RM'000
Group								
At 31 December 2008								
Fixed rate								
Amount due from associates	17	8.00 - 10.00	13,699	–	–	–	–	13,699
Amount due to an associate	21	3.70	500	–	–	–	–	500
Floating rate								
Cash and bank balances	18	0.15 - 4.05	42,846	–	–	–	–	42,846
Short term trade financing	20	2.25 - 6.00	263,010	–	–	–	–	263,010
Bankers' acceptances	20	3.46 - 4.15	114,564	–	–	–	–	114,564
Revolving credits	20	3.90 - 11.55	104,427	–	–	–	–	104,427
Term loans	20	4.90 - 7.60	21,246	28,197	29,765	28,673	15,640	123,521
Company								
At 31 December 2008								
Fixed rate								
Amount due from associates	17	8.00 - 10.00	13,699	–	–	–	–	13,699
Amount due from subsidiaries		3.00	45,018	–	–	–	–	45,018
Amount due to an associate	21	3.70	500	–	–	–	–	500
Floating rate								
Amount due from a subsidiary		8.00	100,180	–	–	–	–	100,180
Cash and bank balances	18	0.15 - 4.05	24,732	–	–	–	–	24,732
Short term trade financing	20	2.25 - 6.00	263,010	–	–	–	–	263,010
Bankers' acceptances	20	3.46 - 4.15	114,564	–	–	–	–	114,564
Revolving credits	20	3.90 - 4.97	89,509	–	–	–	–	89,509
Term loans	20	4.90 - 6.00	8,213	9,951	6,305	–	–	24,469

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest rate risk (cont'd)

The Company has an Interest Rate Swap Contract with a bank from floating rate borrowing to fixed rate in US Dollar as follows:

Notional Amount (USD Million)	:	19.0
Maturity Period	:	March 2014
Receive Floating Interest Rate	:	3 months London Inter-bank Offer Rate
Pay Fixed Interest Rate	:	2.47%

(c) Foreign exchange risk

The Group and the Company have exposure to fluctuations in foreign exchange rates in both the investment in foreign entities and business transactions. The Group has foreign exchange risk exposure mainly in United States Dollar, Australian Dollar, Indonesian Rupiah, Canadian Dollar and Chinese Reminbi. The Group's policy is to manage its exposure to foreign exchange risk on investment in foreign entities by using term loan with the same foreign currency to hedge such investments where appropriate.

Due to 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 Company also uses forward foreign exchange contracts to hedge its exposure to foreign exchange risk.

The net unhedged financial assets and liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Net financial assets/(liabilities) held in non-functional currencies		
Functional currencies of Group Companies	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Total RM'000**
Group			
At 31 December 2009			
United States Dollar	**(176,750)**	**–**	**(176,750)**
Indonesian Rupiah	**–**	**1,202**	**1,202**
Singapore Dollar	**–**	**(204)**	**(204)**
Australian Dollar	**46**	**25**	**71**
Ringgit Malaysia	**–**	**(2)**	**(2)**
Others	**–**	**(209)**	**(209)**
	(176,704)	**812**	**(175,892)**
At 31 December 2008			
United States Dollar	(134,075)	–	(134,075)
Indonesian Rupiah	–	11,052	11,052
Singapore Dollar	–	(696)	(696)
Australian Dollar	275	(188)	87
Ringgit Malaysia	–	(28)	(28)
	(133,800)	10,140	(123,660)

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign exchange risk (cont'd)

As at balance sheet date, the Group and the Company had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Maturities: Within 1 Year RM'000	Maturities: 1 Year up to 5 Years RM'000	Total Notional Amount RM'000
At 31 December 2009				
Forwards used to hedge anticipated purchases	Indonesian Rupiah	**22,292**	**–**	**22,292**
Forwards used to hedge anticipated sales	United States Dollar	**140,983**	**–**	**140,983**
		163,275	**–**	**163,275**
At 31 December 2008				
Forwards used to hedge anticipated purchases	Indonesian Rupiah	19,289	3,128	22,417
Forwards used to hedge anticipated purchases	United States Dollar	2,120	–	2,120
Forwards used to hedge anticipated sales	United States Dollar	13,317	–	13,317
		34,726	3,128	37,854

At 31 December 2009, there was unrecognised gain of RM0.6 million (2008: RM0.7 million) on forward contracts used to hedge anticipated sales and unrecognised gain of RM2.30 million (2008: RM0.06 million) on forward contracts used to hedge anticipated purchases of the Group and of the Company using the exchange rate at balance sheet date.

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity risk management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Credit risk

The carrying amount of trade and other receivables, amount due from related companies and associates, cash and bank balances and deposits represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risks, or the risk 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 associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures. The Group places its cash deposits with reputable banks and financial institutions.

The Group has a concentration of credit risk that may arise from exposures to a single debtor which constitutes approximately 15.3% (2008:25.1%) of its trade receivables and 41.4% (2008:48.2%) of its other receivables.

(f) 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 arising from revenue derived from sales of tin and coal as well as to the impact of crude oil prices on the cost of fuel consumed in the mining and processing of tin.

The tin price risk is managed through contractual arrangements with customers and derivative instruments such as forward sales contracts.

Fuel is purchased at the spot rate available at time of purchase, which exposes the Group to the impact of changes to world prices for crude oil. However, the Group continues to assess the potential financial risk associated with rising crude oil prices and whether the risk requires the use of derivative instruments.

(g) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the following:

	Group/Company	
	Carrying amount RM'000	**Fair value RM'000**
At 31 December 2009		
Interest rate swap contract (Note 29(b))	**–**	**(829)**
Forward foreign exchange contracts (Note 29(c))	**–**	**163**
At 31 December 2008		
Forward foreign exchange contracts (Note 29(c))	–	(7,609)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

29. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair values (cont'd)

The following methods and assumptions are used by the management to estimate the fair values of the following classes of financial instruments:

i. Cash, bank balances, deposits, other receivables and other payables

The carrying amounts of cash, bank balances, deposits, other receivables and other payables approximate fair value due to their short term nature.

ii. Trade receivables, trade payables and bank borrowings

The carrying amounts of trade receivables and trade payables approximate fair value because these are subject to normal trade credit terms. The carrying value of bank borrowings approximate the fair value as these bank borrowings bear interest at rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

iii. Amounts due from/to subsidiaries, related companies and associates

The amounts due from/to subsidiaries, related companies and associates approximate fair value because they are payable on demand or on normal credit terms.The amount due from a subsidiary of KMR of RM2,648,000 under non-current assets (Note 17(c)) was granted at year end and interest is charged at prevailing market rate.

iv. Forward foreign exchange contracts

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

v. Quoted investments

The fair value of quoted investments not held for long term are determined by reference to stock exchange quoted market bid prices at the closing of the business on the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

30. SEGMENTAL INFORMATION

(a) Reporting format

The Company and its principal subsidiaries operate principally within one industry which is tin mining and tin smelting. The Group operates mainly in three geographical areas namely, Malaysia, Indonesia and Australia. Geographical segment revenue and assets are based on geographical location of the Group's assets. Segment accounting policies are the same as the policies as described in Note 2, inter-segment sales where applicable are based on terms determined on a commercial basis.

(b) Geographical segments

The group operates in three main geographical areas:

i. **Malaysia**

The operations in this area are principally tin mining, tin smelting, tin warehousing and investment holding.

ii. **Indonesia**

The operations in this area are principally tin exploration, mining and smelting.

iii. **Australia**

The operations in this area are principally tin and base metals exploration and investment holding.

(c) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment. There is no unallocated item.

Segment revenue, expenses and results include inter company transactions. These inter company transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

30. SEGMENTAL INFORMATION (CONT'D)

Geographical segments

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segment:

	Note	Malaysia RM'000	Indonesia RM'000	Australia RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2009							
Revenue							
Sales to external customers		1,825,205	26,515	–	–	–	1,851,720
Inter-segment sales		–	343,639	–	–	(343,639)	–
Total revenue	3i	1,825,205	370,154	–	–	(343,639)	1,851,720
Results							
Segment results	3i	96,884	11,863	248	(65)	(41,126)	67,804
Finance costs		(14,944)	(13,605)	–	(175)	5,535	(23,189)
Share of (loss)/profit of associates		(293)	–	6,337	(5,823)	–	221
Profit/(Loss) before tax		81,647	(1,742)	6,585	(6,063)	(35,591)	44,836
Income tax expense		(16,565)	(25,810)	–	–	1,210	(41,165)
Net profit/(loss) for the year		65,082	(27,552)	6,585	(6,063)	(34,381)	3,671
Assets							
Segment assets		514,945	429,202	8,674	1,717	(1,908)	952,630
Investment in associates		61,908	–	67,910	84,100	–	213,918
Total assets		576,853	429,202	76,584	85,817	(1,908)	1,166,548
Liabilities							
Segment liabilities		612,268	178,883	1,294	1,732	–	794,177
Total liabilities		612,268	178,883	1,294	1,732	–	794,177

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

30. SEGMENTAL INFORMATION (CONT'D)

Geographical segments (cont'd)

	Note	Malaysia RM'000	Indonesia RM'000	Australia RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2009							
Other segment information							
Capital expenditure	9	**4,239**	**14,187**	–	–	–	**18,426**
Depreciation	9	**5,160**	**8,300**	–	–	–	**13,460**
Amortisation of prepaid land lease payments	10	**58**	**31**	–	–	–	**89**
Amortisation of mining rights	11	**2,938**	–	–	–	–	**2,938**
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	15	**849**	**8,708**	–	–	–	**9,557**
Deferred exploration and evaluation expenditure written-off	15	–	**1,469**	–	–	–	**1,469**
Other significant non-cash expenses:							
- Provision for mine rehabilitation	19	**509**	**752**	–	–	–	**1,261**
- Provision for severance benefits	19	–	**4,623**	–	–	–	**4,623**
- Reversal of write down of tin slag inventory no longer required		–	**(6,915)**	–	–	–	**(6,915)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 December 2009

30. SEGMENTAL INFORMATION (CONT'D)

Geographical segments (cont'd)

	Note	Malaysia RM'000	Indonesia RM'000	Australia RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2008							
Revenue							
Sales to external customers		2,276,367	–	–	–	–	2,276,367
Inter-segment sales		–	387,796	–	–	(387,796)	–
Total revenue	3i	2,276,367	387,796	–	–	(387,796)	2,276,367
Results							
Segment results	3i	44,813	15,440	1,486	(27,754)	(23,483)	10,502
Finance costs		(19,323)	(15,260)	–	(944)	10,745	(24,782)
Share of profit/(loss) of associates		1,108	–	(7,953)	(7,033)	–	(13,878)
Profit/(Loss) before tax		26,598	180	(6,467)	(35,731)	(12,738)	(28,158)
Income tax expense		(4,405)	(11,192)	–	–	(3,032)	(18,629)
Net profit/(loss) for the year		22,193	(11,012)	(6,467)	(35,731)	(15,770)	(46,787)
Assets							
Segment assets		473,419	392,829	126	39	1,633	868,046
Investment in associates		17,800	–	64,567	112,133	–	194,500
Total assets		491,219	392,829	64,693	112,172	1,633	1,062,546
Liabilities							
Segment liabilities		531,096	190,864	41	13	–	722,014
Total liabilities		531,096	190,864	41	13	–	722,014
Other segment information							
Capital expenditure	9	6,305	15,107	–	–	–	21,412
Depreciation	9	3,554	9,797	–	–	–	13,351
Amortisation of prepaid land lease payments	10	62	27	–	–	–	89
Amortisation of mining rights		2,687	–	–	–	–	2,687
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	15	661	5,579	–	–	–	6,240
Deferred exploration and evaluation expenditure written-off	15	–	2,128	–	–	–	2,128
Other significant non-cash expenses:							
- Provision for mine rehabilitation		1,842	4,874	–	–	–	6,716
- Provision for severance benefits		–	4,116	–	–	–	4,116
- Write down of inventory value		6,490	3,041	–	–	–	9,531
- Reversal of write down of tin slag inventory no longer required		–	(30,162)	–	–	–	(30,162)

31. SIGNIFICANT EVENTS

(a) On 23 July 2009, the Company entered into a Share Sale Agreement with Oberthur Investment Limited (Oberthur) and Robert Priantono Bonosusatya for the proposed disposal of up to 30% equity interest in Bemban Corporation Limited (BCL) for a cash consideration of USD9.0 million. BCL, a whollly-owned subsidiary of the Company, is principally an investment holding company and is the legal and beneficial owner of the entire issued and paid-up share capital of Kajuara Mining Corporation Pty Ltd which in turn has a sole investment, being 75% equity interest in PT Koba Tin. Oberthur is principally an investment holding company owned by an Indonesian based group involved in tin, minerals and resource development. The transaction is expected to be completed by the first quarter of 2011.

(b) On 25 August 2009, the Company had subscribed for a total of 1,367,728,522 new ordinary shares amounting to approximately RM16.12 million in a renounceable rights issue in an associate, Australia Oriental Minerals NL (AOM) so as to enable AOM to repay its outstanding loan of AUD5.0 million and related interest to the Company.

Following the completion of AOM rights issue:

(i) the Company's direct shareholding in AOM increased from 42.7% to 76.9% and AOM became a subsidiary of the Company; and

(ii) the Company's effective interest in Asiatic Coal Private Limited (ACPL), a 30% owned associate of AOM, of which the Company also has a 30% direct interest, increased from 42.8% to 53.1% and ACPL became an indirect subsidiary of the Company.

(c) On 3 September 2009, the Company announced that it plans to divest its 22% shareholdings in BCD Resources NL (formerly known as Beaconsfield Gold NL), a company listed on Australian Securities Exchange and its 30% stake in the Rapu-Rapu Polymetallic Project in Philippines in line with its intention to focus its effort on cost rationalisation and reduction as well as working on various alternatives to reduce its overall gearing including divestments of some of the Group's non-tin assets. The divestment process is still on-going.

(d) On 23 September 2008, the Company announced that its public shareholding spread of 22.67% is not in compliance with the requirement as stipulated in paragraph 8.15(1) of Bursa Malaysia Listing Requirements, pursuant to a substantial shareholder notice received from Siong Lim Private Limited on 18 September 2008. Bursa Malaysia has further granted extension of time up to 22 March 2010 for the Company to comply with the public shareholding spread requirement pursuant to paragraph 8.15(1) of Bursa Malaysia Lisiting Requirements. The Company submitted an application for further extension of time to comply with the public shareholding spread on 19 March 2010. As at 31 December 2009, a total of 23.13% shares of the Company are held by a total of 1,668 public shareholders.

(e) On 31 October 2009, the Group's shareholdings in PT Tenaga Anugerah (PT TA), a company incorporated in Indonesia, was diluted from 60% to 40% following the assets injection into PT TA by PT Sarana Marindo. Current shareholding structure of PT TA is as follows:

Company	: 40%
Tenaga Anugerah Sdn. Bhd.	: 30%
PT Sarana Marindo	: 30%.

32. SUBSEQUENT EVENT

In January 2010, the Company subscribed for an additional 10,750,000 new common shares amounting to approximately RM3.51 million in Asian Mineral Resources Limited (AMR) via a private placement to maintain its shareholding at 18.2% in AMR. Each common share entitles the holder to purchase one whole common share for 15 Canadian cents for 12 months after its issue date.

LIST OF PROPERTIES OF THE GROUP
31 December 2009

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31.12.09 RM'000	Date of last revaluation/ acquisition
MALAYSIA							
1. 27 Jalan Pantai 12000 Butterworth							
a) Lot 142-187 & 362	Land with offices and factory buildings	12.5 acres	Freehold	–	5 - over 50 years	23,611	2008
b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	22 years	541	2008
c) PT 686	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2066	NA	133	2008
2. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	10 years	1,853	2008
3. Unit No. B-15-6, B15-7 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,786 sq. ft.	Freehold	–	10 years	2,131	2008
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	9 years	3,900	2008
5. Lot 1203, Mukim 12 Daerah Seberang Perai Tengah	Vacant Land	0.422 acres	Freehold	–	NA	180	2008
6. Mukim Belukar Semang and Mukim Pengkalan Hulu Daerah Hulu Perak							
a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 42 years	163	2008
b) Lot 1886	Vacant Land	0.78 hectares	Freehold	–	–	11	2008
c) Lot 1868, 2071, 2163*, 879, 880, 6489	Land with buildings	10.29 hectares	Leasehold	2009*-2062	28 - over 50 years	92	2008
INDONESIA							
7. PT Koba Tin Bangka Island	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	12 - 37 years	2,168	2008
8. PT MSC Indonesia Bangka Island	Land & Buildings	17,094 sq. ft.	Leasehold (Land Rights)	2034	15 - 20 years	900	2008
9. PT MSC Indonesia Bangka Island	Land & Buildings	215,278 sq. ft.	Leasehold (Land Rights)	2019	4 years	1,089	2008
AUSTRALIA							
10. Land at Lot 1, Marlborough Road, Mount Gardiner, QLD 4705	Vacant Land	33,521 hectares	Freehold	–	NA	48	2009

* Application for renewal of lease has been submitted and awaiting for approval from the relevant authority.

TIN STATISTICS

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

Destination	2004	2005	2006	2007	2008	2009
Africa	1,313	1,257	1,340	957	937	220
Australia & New Zealand	1,223	127	249	21	28	66
China	40	40	560	220	317	806
EEC (incl. UK)	1,431	2,669	1,623	1,457	1,536	1,534
India, Pakistan & Bangladesh	825	794	1,141	1,521	1,490	811
Japan	3,381	2,063	1,985	2,639	3,780	1,650
Middle East	705	812	515	532	156	363
Taiwan	1,690	1,524	1,043	1,345	2,351	1,596
Korea	7,560	8,480	5,980	5,776	6,890	8,482
Rest of Asia-Pacific	105	56	–	–	292	150
Singapore	9,421	14,645	5,400	4,968	5,811	3,175
South America	–	–	–	–	–	–
USA	1,235	480	10	–	123	93
	28,929	**32,947**	**19,846**	**19,436**	**23,711**	**18,946**
Malaysia (for domestic consumption) * Include tin deliveries to LME warehouses in Pasir Gudang.	3,815	3,437	4,806	3,334	7,571*	17,797*
Total	**32,744**	**36,384**	**24,652**	**22,770**	**31,282**	**36,743**

LME AND U.S DLA'S STOCKS & DISPOSALS (IN TONNES)

Period End	LME Stocks *	DLA Stocks #	
2009		Opening stock at 1.1.09	4,020
1st Quarter	10,730		
2nd Quarter	17,005	Disposals during the year	–
3rd Quarter	24,815		
4th Quarter	26,765	Closing stock at 31.12.09	4,020

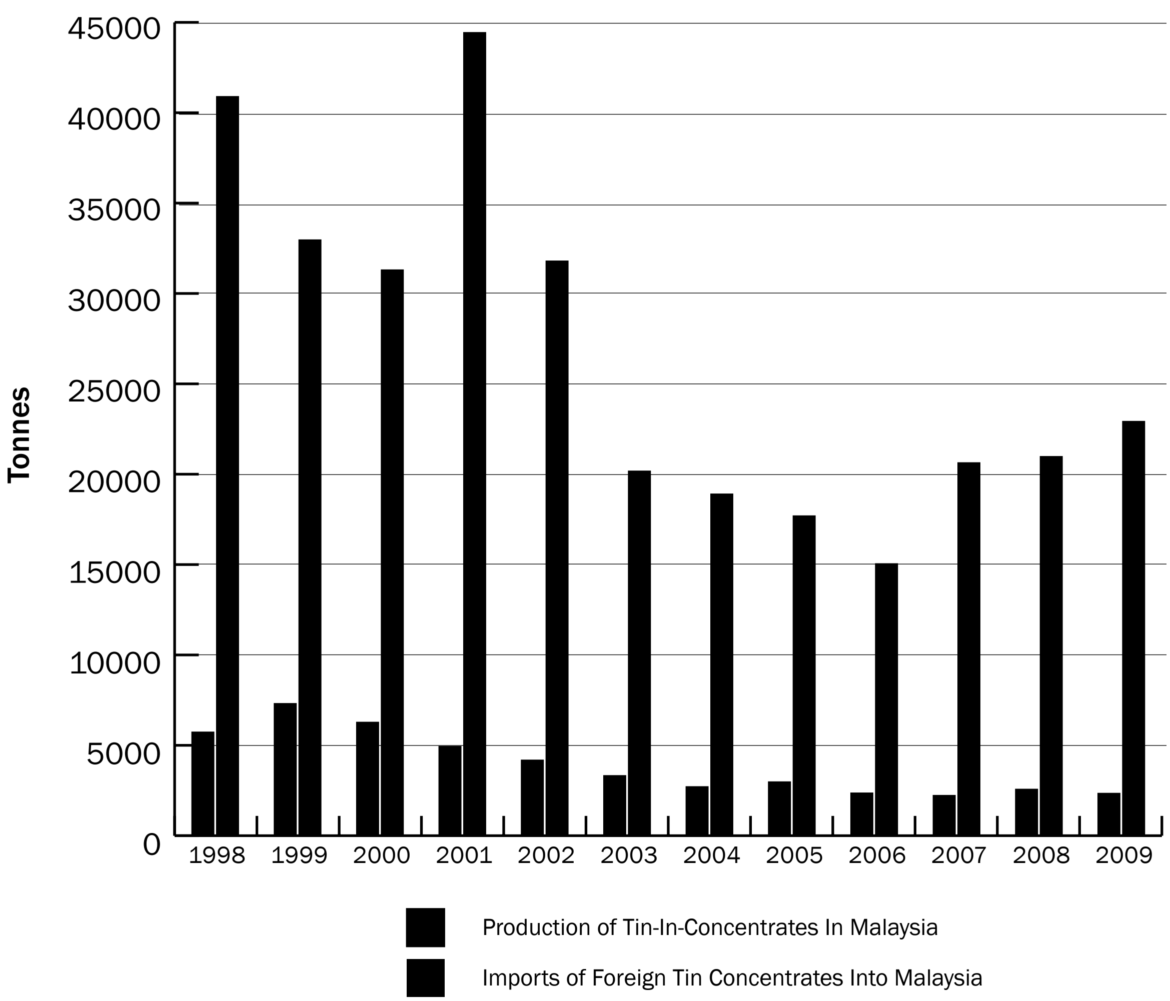
Sources: * Metal Bulletin
US Geological Survey - uncommitted stock

TIN STATISTICS (CONT'D)

Production of Tin-In-Concentrates In Malaysia	
Year	Tonnes
1998	5,764
1999	7,340
2000	6,307
2001	4,972
2002	4,215
2003	3,358
2004	2,746
2005	3,013
2006	2,398
2007	2,264
2008	2,606
2009	2,380 (est)

Imports of Foreign Tin Concentrates Into Malaysia	
Year	Tonnes
1998	40,547 *
1999	32,955
2000	31,297
2001	44,410
2002	31,788
2003	20,183
2004	18,916
2005	17,708
2006	15,064
2007	20,643
2008	20,987
2009	22,928

* After the closure of Escoy Smelting Sdn Bhd in mid 1998. MSC became the sole tin smelter in Malaysia.



TIN STATISTICS (CONT'D)

	KLTM Prices Highest US$ (Per Tonne)	KLTM Prices Lowest US$ (Per Tonne)	KLTM Prices Average US$ (Per Tonne)	KLTM Turnover (Tonnes)	LME 3 Mths Buying Average US$ (Per Tonne)
2004	9,890	6,420	8,493	19,323	8,347
2005	8,580	6,050	7,355	19,427	7,337
2006	12,000	6,600	8,765	13,857	8,713
2007	17,250	10,050	14,523	14,757	14,500
2008	25,400	9,850	18,438	18,077	18,434
2009	16,800	10,130	12,493	16,900	13,341
2009					
January	12,000	10,350	11,272	1,144	11,256
February	11,250	10,600	10,973	1,000	10,846
March	10,998	10,130	10,518	1,298	10,465
April	12,500	10,300	11,362	1,813	11,509
May	14,150	12,530	13,666	1,697	13,547
June	15,700	14,110	14,991	1,400	14,825
July	14,700	12,400	13,911	1,290	13,829
August	15,300	14,350	14,747	1,621	14,435
September	15,100	14,200	14,593	1,349	14,334
October	15,100	14,500	14,746	1,363	14,602
November	15,050	14,700	14,860	1,385	14,862
December	16,800	15,020	15,544	1,540	15,585

TIN MARKET PRICE

SHAREHOLDINGS STATISTICS
As at 29 March 2010

ANALYSIS BY SIZE OF SHAREHOLDINGS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
less than 100	4	0.23	183	0.00
100 to 1,000	781	45.51	725,567	0.97
1,001 to 10,000	754	43.94	3,045,950	4.06
10,001 to 100,000	142	8.28	4,852,700	6.47
100,001 to less than 5% of issued shares	31	1.81	15,514,800	20.68
5% and above of issued shares	4	0.23	50,860,800	67.82
TOTAL	**1,716**	**100.00**	**75,000,000**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	NAME	HOLDINGS	%
1	MAYBAN NOMINEES (ASING) SDN BHD FOR THE STRAITS TRADING COMPANY LIMITED	28,090,000	37.45
2	STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	10,073,900	13.43
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD FOR STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	7,300,600	9.74
4	MAYBAN NOMINEES (ASING) SDN BHD FOR SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	7.20
5	MAYBAN NOMINEES (ASING) SDN BHD FOR BAXTERLEY HOLDINGS PRIVATE LIMITED	3,700,000	4.93
6	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED	1,481,000	1.97
7	HSBC NOMINEES (TEMPATAN) SDN BHD FOR NOMURA ASSET MGMT MALAYSIA FOR EMPLOYEES PROVIDENT FUND	1,260,000	1.68
8	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	1,078,900	1.44
9	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD FOR ICAPITAL.BIZ BERHAD	902,000	1.20
10	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	837,000	1.12
11	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR KUMPULAN WANG SIMPANAN PEKERJA	800,000	1.07
12	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD. AJIB BIN HJ. ANUAR	650,000	0.87
13	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	488,400	0.65
14	TOH YEW KEONG	390,000	0.52

SHAREHOLDINGS STATISTICS (CONT'D)
As at 29 March 2010

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

	NAME	HOLDINGS	%
15	LEONG KOK TAI	371,200	0.49
16	HLB NOMINEES (TEMPATAN) SDN BHD FOR CHEN KHAI VOON	338,300	0.45
17	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN LIFE ASSURANCE BERHAD	310,000	0.41
18	REDRING SOLDER (MALAYSIA) SDN BHD	281,100	0.37
19	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN LIFE ASSURANCE BERHAD	254,000	0.34
20	HDM NOMINEES (ASING) SDN BHD FOR NORMAN KA CHEUNG IP	250,000	0.33
21	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR ETIQA INSURANCE BERHAD	185,000	0.25
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD FOR CIMB FOR TEOH CHENG CHENG	185,000	0.25
23	CHEONG TENG WHY	178,500	0.24
24	LAI FOOK HOY	157,000	0.21
25	ABDUL MALIK BIN ABDUL KADIR	152,400	0.20
26	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MD AJIB BIN HJ ANUAR	150,000	0.20
27	MRS WINNIE HAMZAH SENDUT	138,000	0.18
28	MAYBAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBAN INVESTMENT MANAGEMENT SDN BHD	131,000	0.17
29	AHMAD AZIZUDDIN BIN HAJI ZAINAL ABIDIN	128,000	0.17
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD FOR HAMIDON BIN ABDULLAH	125,800	0.17
	TOTAL	**65,783,400**	**87.70**

LIST OF SUBSTANTIAL SHAREHOLDERS

Name	Direct (No. of Shares)	Percentage %	Deemed Interest (No. of shares)	Percentage %
THE STRAITS TRADING COMPANY LIMITED	28,090,000	37.45	26,751,900	35.67
STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	17,374,500	23.17		
SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	7.20		
THE CAIRNS PRIVATE LIMITED			54,841,900	73.12
TECITY PRIVATE LIMITED			54,841,900	73.12
SIONG LIM PRIVATE LIMITED	1,380,000	1.84	54,841,900	73.12
RAFFLES INVESTMENTS LIMITED			54,841,900	73.12
AEQUITAS PRIVATE LIMITED			54,841,900	73.12
DR TAN KHENG LIAN			54,841,900	73.12

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty First Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at Bayan Room, Hotel Equatorial Penang, Jalan Bukit Jambul, Penang, Malaysia on Tuesday, 11 May 2010 at 12.00 pm for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

1. "THAT the audited Financial Statements for the year ended 31 December 2009 and the Report of the Directors and Auditors thereon be and are hereby received and adopted."

2. "THAT the final dividend of 3 sen per RM1.00 ordinary share less 25% tax, for the year ended 31 December 2009 be and is hereby approved and declared payable on 28 May 2010 to shareholders on the Register of Members at 5.00 pm on 12 May 2010."

3. "THAT Mr Norman Ip Ka Cheung, who retires in accordance with Article 101 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

4. "THAT Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

5. "THAT Mr Chew Kwee San, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

6. "THAT Mr Lim Sit Chen Lam Pak Ng, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

7. "THAT the Directors' fees of RM400,000 in respect of the year ended 31 December 2009 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."

8. "THAT Messrs Ernst & Young, who are eligible and have given their consent for reappointment be and are hereby reappointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board."

As SPECIAL BUSINESS:

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

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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a final dividend of 3 sen per RM1.00 ordinary share less 25% tax, if approved, will be paid on 28 May 2010 to depositors registered in the Record of Depositors at the close of business on 12 May 2010. A depositor shall qualify for the entitlement only in respect of:

a) Shares transferred into the Depositors Securities Account before 5.00 p.m. on 12 May 2010 in respect of transfers; and

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

BY ORDER OF THE BOARD
Sharifah Faridah Abd Rasheed
Company Secretary
Kuala Lumpur
Date: 19 April 2010

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

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

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

Explanatory Note on Special Business:

The proposed ordinary resolution 9 above, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting subject to the limitation that the aggregate number of shares to be issued do not exceed ten per cent (10%) of the issued share capital of the Company for the time being. This authority will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

As at the date of this notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the thirtieth Annual General Meeting of the Company held on 27 April 2009. The renewed mandate for the allotment of shares will provide flexibility to the Company for the allotment of shares for the purposes of funding future investment, working capital and/or acquisitions.

PROXY FORM

I/We ____ (full name in block letters)

of ____(address)

being a member/members of **MALAYSIA SMELTING CORPORATION BERHAD** hereby appoint

NAME	ADDRESS	NRIC/ PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS %

And/or (delete as appropriate)

NAME	ADDRESS	NRIC/ PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS %

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on Tuesday, 11 May 2010 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO	RESOLUTIONS	FOR	AGAINST
1	Adoption of the Report of the Directors and the Audited Financial Statements		
2	Declaration of Dividend		
3	Re-election of Director – Mr Norman Ip Ka Cheung		
4	Re-election of Director – Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong		
5	Re-election of Director – Mr Chew Kwee San		
6	Re-election of Director – Mr Lim Sit Chen Lam Pak Ng		
7	Approval of Directors' Fees		
8	Reappointment of Auditors		
9	Authority to Allot Shares Pursuant to Section 132D fo the Companies Act, 1965		

Dated this ____________ day of ____________ 2010.

Total Number of shares	

____

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES BELOW

Notes:

- A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Act shall not apply to the Company.
- To be valid this form, duly completed must be deposited at the Registered Office of the Company at B-15-11 Block B, 15th Floor, Unit 11 Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time of the holding of the meeting.
- A member shall be entitled to appoint more than one(1) proxy to attend and vote at the same meeting.
- Where a member appoints more than one(1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

Fold along this line

Affix
Postage
Here

To:

The Company Secretary
MALAYSIA SMELTING CORPORATION BERHAD (Co. No. 43072-A)
B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

Fold along this line

REGISTERED OFFICE

B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II
12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Tel: (+603) 2166 9260/61
Fax: (+603) 2166 6599

www.msmelt.com