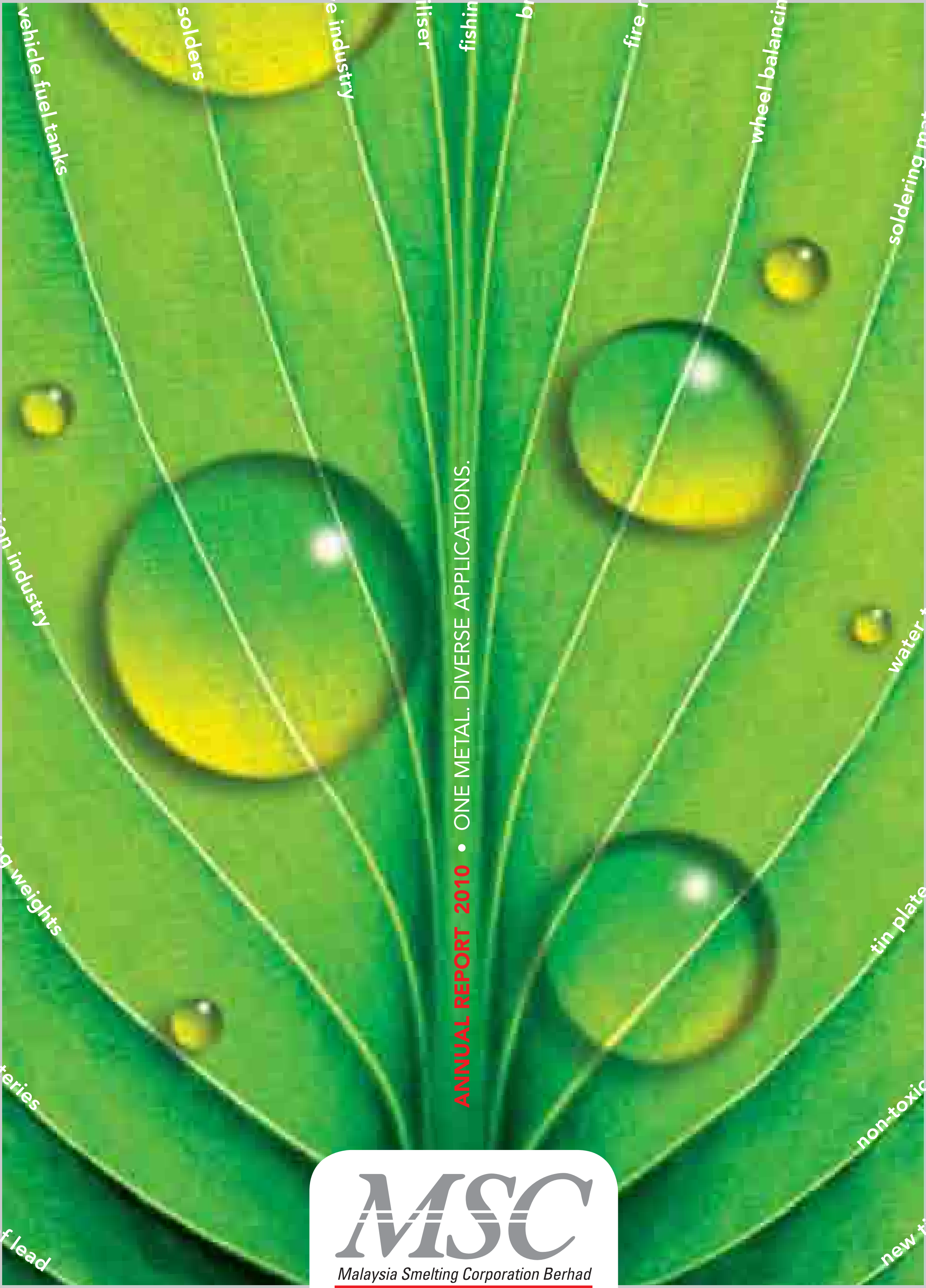

linings for vehicle fuel tanks
advanced solders
automotive industry
PVC stabiliser
fishing weights
brake pads
fire retardants
wheel balancing weights
soldering material for E&E industry
packaging & construction industry
water treatment industry
biocides and fishing weights
tin plate manufacturing
lead acid batteries
non-toxic ammunition
substitute of lead
new tin chemicals

ANNUAL REPORT 2010 • ONE METAL. DIVERSE APPLICATIONS.

MSC
Malaysia Smelting Corporation Berhad
(43072-A)

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

Logo Rationale:
Early this year, we adopted a refined version of our logo which is more reflective of the moving times and the Company's present directions and strategies. The new logo reinforces the Group's premier position in the tin industry enjoyed over a century; the silver symbolises tin metal and our commitment to deliver excellence at all times. The red accent represents our passion in pursuing our goals, whilst the italicized typography and parallel lines that run through our name depict our dynamic and visionary approach in progressing towards greater successes.

MSC
Malaysia Smelting Corporation Berhad
(43072-A)

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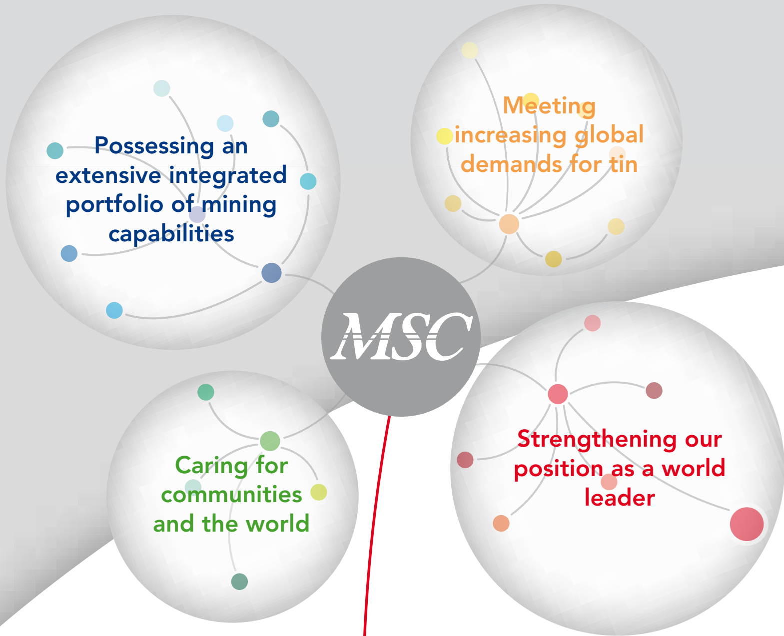

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Cover rationale

Mining and smelting is often criticized as being environmentally unfriendly and even destructive. However, just as the veins in a single leaf help to hold the whole leaf up and let it capture sunlight, form the circulatory system by distributing water from the roots up to all the cells within the leaf and bring resources from the leaf back to the rest of the plant after photosynthesis and ensure the well being of a plant which is ever so important to the conservation of the mother earth; the end product of mining and smelting – metals and minerals – form the backbone of most of what connotes modern lifestyle. Metals and minerals in general, and tin in particular are used in a vast array of modern industries as depicted on our cover. The MSC Group with its extensive network of integrated mining capabilities, is not only beholden to creating shareholder value, but supports the intricate web of creating a sustainable world where both modern lifestyle and preservation of the environment for future generations can co-exist.

A global integrated tin mining and smelting group

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 2010, the Group produced 45,381 tonnes of tin metal making it the second largest supplier of tin metal in the world.

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. It also holds 18.54% equity in TMR Limited, company which owns PT Tenaga Anugerah and is engaged in offshore tin mining in Indonesia.

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 and is currently developing additional two units. PT Tenaga

Anugerah has secured production sharing rights in offshore tin mining areas in Indonesia and currently operates three 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.

The Group has a 40% equity interest in Redring Solder (M) Sdn Bhd (Redring Solder). 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.

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 would continue to pursue the appropriate strategic options to divest its remaining non-tin investments which include a 15.42% interest in Canadian listed nickel associate, Asian Mineral Resources Limited and a 30% interest in a polymetallic mine (producing copper, zinc, gold and silver in concentrates) in the Philippines.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Second Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at Ballroom 1 (Level 1) of the Intercontinental Hotel *(Formerly known as Hotel Nikko)* at 165, Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Wednesday, 27 April 2011 at 11.30 a.m. for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

1. "THAT the audited Financial Statements for the year ended 31 December 2010 and the Report of the Directors and Auditors thereon be and are hereby received."

2. "THAT the final dividend of 3 sen per RM1.00 ordinary share less 25% tax, for the year ended 31 December 2010 be and is hereby approved and declared payable on 12 May 2011 to shareholders on the Register of Members at 5.00 p.m. on 28 April 2011."

3. "THAT En Razman Ariffin, 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 Mr Yeo Eng Kwang, 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."

5. "THAT Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong, 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."

6. "THAT Mr Mark Christopher Greaves, 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 RM450,000 in respect of the year ended 31 December 2010 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/or Singapore Exchange Securities Trading Limited and other relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in 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 and/or Singapore Exchange Securities Trading Limited."

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

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 12 May 2011 to depositors registered in the Record of Depositors of Bursa Depository and Central Depository Pte Ltd (CDP) of Singapore at the close of business on 28 April 2011. 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 28 April 2011 in respect of transfers; and

(b) Shares bought on the Bursa Malaysia Securities Berhad and/or Singapore Exchange Securities Trading Limited 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 : 5 April 2011

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:

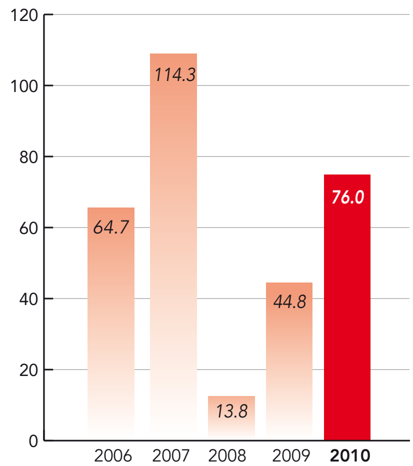
The proposed ordinary resolution 9 above, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting subject to the 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 thirty first Annual General Meeting of the Company held on 11 May 2010. The renewed mandate for the allotment of shares will provide flexibility to the Company for the allotment of shares for the purposes of funding future investment, working capital and/or acquisitions.

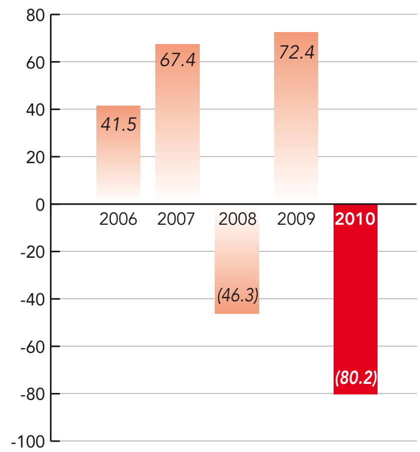
Group Financial Highlights

		Year ended 31 December				
		2006	2007	2008	2009 *Restated	2010
Revenue	(RM Mil)	1,637.7	1,913.1	2,276.4	1,851.7	2,738.8
Profit before exceptional losses/gains	(RM Mil)	64.7	114.3	13.8	44.8	76.0
Exceptional (losses)/gains, net	(RM Mil)	–	6.7	(42.0)	65.0	(154.5)
Profit/(Loss) before tax	(RM Mil)	64.7	121.0	(28.2)	109.8	(78.5)
Income tax expense	(RM Mil)	(20.2)	(42.8)	(18.6)	(41.2)	(21.8)
Profit/(Loss) attributable to the owners of the parent	(RM Mil)	41.5	67.4	(46.3)	72.4	(80.2)
Total assets	(RM Mil)	730.0	841.4	1,062.5	1,231.6	1,219.6
Net current assets	(RM Mil)	215.1	177.6	33.1	68.0	30.2
Equity attributable to the owners of the parent	(RM Mil)	302.3	350.1	296.5	367.8	264.8
Earnings/(Loss) per share	(sen)	55	90	(62)	97	(107)
Gross dividend declared/proposed per share	(sen)	20	28	8	3	3
Net assets per share attributable to the owners of the parent	(sen)	403	467	395	490	353
Pre-tax return/(loss) on average shareholders' funds	(%)	22	37	(9)	33	(25)

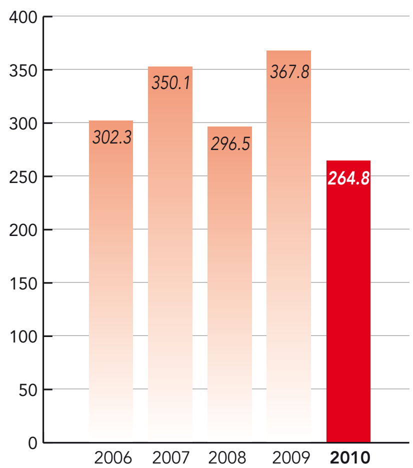
* Restated due to gain on bargain purchase amounting to RM65,004,000 arising from acquisition of a jointly controlled entity which has been retrospectively adjusted for the financial year ended 31 December 2009.



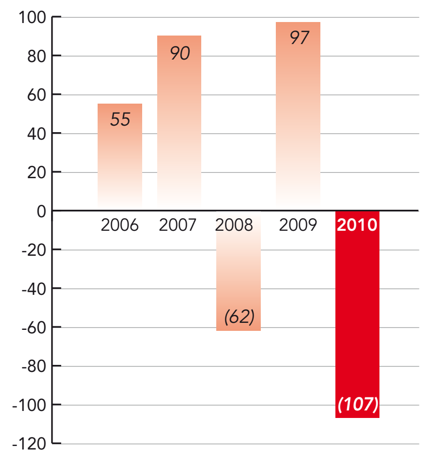
Profit before exceptional losses/gains (RM Mil)



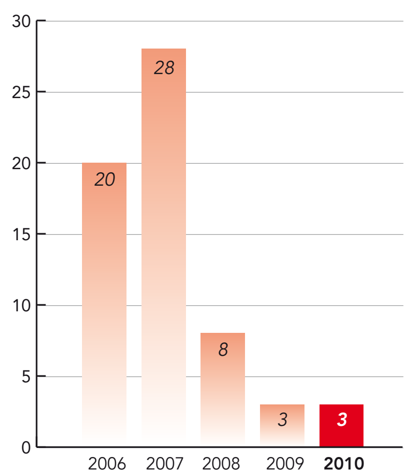
Profit/(Loss) attributable to the owners of the parent (RM Mil)



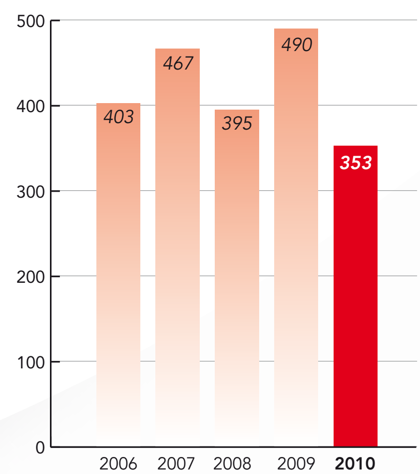
Equity attributable to the owners of the parent (RM Mil)



Earnings/(Loss) per share (sen)



Gross dividend declared/proposed per share (sen)



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

MR NORMAN IP KA CHEUNG - CHAIRMAN

Mr Norman Ip Ka Cheung is a British subject aged 58 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 also chairs the Remuneration Committee of the Board and serves on the Board of the Group's Australian listed subsidiary, Australia Oriental Minerals NL.

Mr Ip graduated with a B Sc (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. He is currently an Advisor to STC. 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 the Chairman of UE E&C Limited and a Director of WBL Corporation Limited, United Engineers Limited, Great Eastern Holdings Limited and AIMS AMP Capital Industrial REIT Management Limited – all companies listed on the Singapore Exchange Securities Trading Limited (SGX-ST). and is a member of 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 61 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-nine 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 Ltd and ITRI Innovation Ltd, UK (the research and development body of the world's tin industry). He is also a director of Australia Oriental Minerals NL (AOM), the Company's subsidiary listed on the Australian Securities Exchange (ASX).

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.

EN RAZMAN ARIFFIN

En Razman Ariffin is a Malaysian aged 63 years. He was appointed to the Board of the Company in February 2006 as an Independent Non-Executive Director. He was re-designated as the Senior Independent Director of the Company and the Chairman of the Audit Committee in June 2010. He is also member of the Nominating Committee and the Remuneration 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 and Executive Director 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 the Chairman of the Board of Commissioners 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.

MR YEO ENG KWANG

Mr Yeo is a Singaporean aged 37 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 currently serves as the Senior Portfolio Manager of Tecity Group of Companies, and covers the resources sector for the group, which is a major shareholder of The Straits Trading Company Limited. 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

Mrs Maureen Leong is a Singaporean aged 56 years. She was appointed to the Board as a Non-Independent Non-Executive Director on 14 December 2009. She was appointed to the Audit Committee of the Board on 10 August 2010.

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 Singapore and CPA Australia.

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

Mrs Maureen Leong has more than 30 years of experience in corporate planning and finance, project financing, mergers and acquisitions, treasury, tax, financial management and risk management functions in various industries. She started her career with DBS Bank Ltd, before moving on to Deloitte & Touche. Prior to joining STC in September 2009, Mrs Leong was with Sembcorp Industries Ltd, where her last appointment was Executive Vice President of Group Mergers and Acquisitions, Group Performance Management and Corporate Planning of the Sembcorp Group of companies. She was appointed Director, Group Finance of Sembcorp Marine Ltd between 2007 and 2008, and Group CFO of Sembcorp Logistics Ltd from 2004 to 2006, after having served as Group CFO of Sembcorp Utilities Pte Ltd. Both Sembcorp Industries Ltd and Sembcorp Marine Ltd are listed on the main board of SGX-ST.

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.

MR CHEW KWEE SAN

Mr Chew Kwee San is a Singaporean aged 42 years. He was appointed to the Board as a Non-Independent Non-Executive Director on 1 March 2010. Currently he is also the Chairman of Nominating Committee.

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 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 Honourary 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 Securities Trading Limited ("SGX-ST"). 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 Straits Trading Company Limited ("STC") and his mother is Dr Tan Kheng Lian, is a substantial shareholder of STC. STC owns 54.84% 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 63 years. He was appointed to the Board as an Independent Non-Executive Director on 1 March 2010 and currently is a member of the Audit Committee.

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.

MR MARK CHRISTOPHER GREAVES

Mr Mark Christopher Greaves is a British national aged 54 years. He was first appointed to the Board of the Company in November 2010. He is a member of the Nominating Committee of the Board.

Mr Greaves began his career with investment bank N M Rothschild & Sons Limited ("Rothschild") and spent 25 years with the group. He was based in the London office from 1977 to 1980 and relocated to the Singapore office from 1980 to 1986, taking on the role of Manager in the corporate finance department. From 1987 to 1992, Mr Greaves was based in the Hong Kong office where he was the Assistant Director and then Director of the corporate finance department. He returned to the Singapore office and served as the Head of corporate finance of South-East Asia and became its Managing Director. During this time, he also acted as Chairman of the Asian regional credit and equity underwriting committees. He sat on the Board of all the Group's principal affiliates in Asia, including Bumiputera Merchant Bankers Berhad in Malaysia where he was a director from 1996 to 2001, and helped to establish the Group's operations in China and Indonesia, which are now among its most successful offices in the region. He was a Council Member of the Singapore Investment Banking Association from 1994 to 2002 and was instrumental in steering Rothschild's independent mergers and advisory business into the top-ranked position in the Singapore market. At the end of 2002, Mr Greaves left Rothschild and set up Anglo FarEast Group Consulting Pte Ltd, a Singapore based consultancy specializing in advisory assignments involving Asia and Europe. In 2004, Mr Greaves became the Chief Executive Officer of Hanson Capital Limited (renamed Hanson Capital Investments Limited) with a mandate to develop the Hanson family's presence in the financial sector and its investments in Asia. Mr Greaves is now Deputy Chairman of Hanson Family Holdings Limited. In addition to his role with Hanson Family Holdings Limited, Mr Greaves was a non-executive director and subsequently Chairman of London-listed Sinosoft Technology Plc from 2004 to 2010. Mr Greaves also served as an Independent Non-Executive Director and later corporate governance consultant to the Board of Hong Kong-listed Gome Electrical Appliances Holding Limited, the largest electrical and electronics retail group in China, from 2005 to 2010.

Mr Greaves graduated with a Bachelor of Arts degree in Economics from the University of Cambridge in 1977.

Mr Greaves 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.

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
En Razman Ariffin

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr Lim Sit Chen Lam Pak Ng
Mr Mark Christopher Greaves

COMPANY SECRETARY

Cik Sharifah Faridah Abdul Rasheed (LS0008899)

MANAGEMENT

Dato' Seri Dr Mohd Ajib Anuar
(Group CEO/Executive Director)
Mr Yap Fook Ping
(Group Chief Financial Officer)
Mr Chua Cheong Yong
(Group Chief Operating Officer, Smelting)
En Mohd Najib Jaafar
(Group Senior General Manager, Mining & Development)
Mr Choo Mun Keong
(Head, Strategic Planning & Investment)
En Kamardin Md Top
(President Director, PT Koba Tin)
En Madzlan Zam
(President Director, PT MSCI)
En Mohamed Yakub Ismail
(Senior General Manager, Rahman Hydraulic Tin Sdn. Bhd.)

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AUDITORS

Ernst & Young

BANKERS

- CIMB Bank Berhad
- Citibank Berhad
- 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
- Singapore Exchange Securities Trading Limited

How We Fared Last Year…

Statement by the Chairman & 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, associated companies and jointly controlled entity (the Group) for the year ended 31 December 2010.

Following the strategic decision made in 2009 to reposition the MSC Group to focus on its original core tin business, extensive efforts were undertaken in 2010 to strengthen the Group's financial and development resources to achieve its long term objective in growing its tin business as well as to improve on the operating performance of its existing mining and smelting operations.

The Group therefore has been actively pursuing divestment programmes for its non-tin assets which include investments in various mining assets that have interests in gold, copper, nickel, zinc, silver and coal.

London Metal Exchange (LME) prices for tin and some other base and precious metals such as copper and gold recovered strongly to new record highs in 2010. This was underpinned by improving supply/demand fundamentals amid a more positive macroeconomic backdrop. The surge in tin prices towards the later part of the year have presented both opportunities as well as challenges in managing the Group's smelting and funding requirements.

In the early part of 2011, MSC successfully undertook a secondary listing of its shares on The Singapore Exchange Securities Trading Limited (SGX-ST) to help enhance shareholders' value. This secondary listing has enabled the Company to raise SGD43.75 million from the issuance of 25 million new shares. The dual listing of the Company in Malaysia and Singapore marks an important milestone for the Group and will enhance the liquidity and provide a much wider platform for MSC to access capital to help generate a sustainable long term growth.

Tin Mining and Smelting Operations

The Group's turnover in 2010 was higher, boosted by higher metal production as well as tin prices, and was a record RM2.7 billion compared with RM1.8 billion in 2009.

The Group's international custom tin smelter at Butterworth, Malaysia managed to sustain its growth trend in refined tin metal production by achieving a 6.4 % increase in its metal output to 38,737 tonnes from 36,407 tonnes in 2009. Together with Koba Tin, the Group's two smelting facilities produced in aggregate approximately 45,381 tonnes of tin metal in 2010 (43,862 tonnes in 2009). This has propelled the MSC Group to become the second largest supplier of tin metal globally.

The Group's tin mining operations carried out at Rahman Hydraulic Tin Sdn Bhd (RHT) in Perak, Malaysia and at PT Koba Tin in Bangka, Indonesia performed well in 2010. Production of tin-in-concentrates at RHT totalling 1,769 tonnes was

up by 5% over the previous year due to higher operating efficiencies. At PT Koba Tin, the production from small scale mining operations ceased altogether resulting in a decrease in its overall metal production, from 7,455 tonnes in 2009 to 6,644 tonnes in 2010. This was partially offset by the start up of several new gravel pump mining operations in 2010, which is expected to provide MSC Group with greater control over its output and environmental management going forward.

Rationalisation efforts were undertaken in respect of the Group's other tin interests held through its subsidiary, PT MSC, which is developing on-shore tin operations in Indonesia, and its 18.54% interest investment in TMR Ltd/PT Tenaga Anugerah (PT TA) which undertakes off-shore tin mining operations in Indonesia. These investments are expected to generate positive results in 2011.

The Group continues to pursue opportunities by identifying, developing and expanding its tin resources in Malaysia and Indonesia.

Divestment of non-tin investments

At the end of 2009 the Group's non-tin investments comprised a 22.1% 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 an unlisted KM Resources Inc which owns a polymetallic mine (producing copper, zinc, gold and silver in concentrates) in the Philippines; a 76.91% interest in an Australian listed subsidiary, Australia Oriental Minerals NL (AOM) and a 53% effective interest in a coal development project in Indonesia.

The divestment of the Group's interest in BCD was completed and the Group ceased to be a shareholder.

AMR has been actively pursuing equity and debt funding to complete the nickel mine development project in Vietnam. Pending the conclusion of the proposed fund raising exercise, MSC will continue to evaluate its options on how best to maximize its value by divesting its investment in AMR.

The agreement for the sale of the coal development project in Indonesia has been executed and the disposal is expected to be completed in the first half of 2011.

The divestment of the Group's interest in KM Resources Inc may take a bit longer than expected. The mine has performed very well to date and is expected to contribute significantly to MSC's earnings. As a result of rising copper, gold, silver and zinc prices, the valuation of KM Resources Inc has also risen and MSC is seeking to enhance shareholder value by ensuring it sells the project at prices reflecting this increase in value.

Financial Results

The Group achieved a higher RM76.01 million pre-tax profit before exceptional items, a 69.5% increase for the year compared with RM44.84 million recorded in 2009. This was mainly contributed by a better performance of the Group's tin business both in Malaysia and Indonesia. After providing for exceptional items totalling RM154.48 million, the Group recorded a loss before tax of RM78.46 million compared with a Group net profit before tax of RM109.84 million in 2009. The exceptional items mainly comprised the loss incurred on the disposal of investments in BCD and impairment provisions on the Group's non-tin assets. The 2009 net profit included a surplus of RM65 million on the valuation of the Group's interest in KM Resources Inc.

Dividends

The Directors recommend the payment of a final dividend of 3 sen per ordinary share less 25% tax (2009 : 3 sen per share less 25% tax), amounting to RM2.25 million. Subject to the approval of the members at the forthcoming Annual General Meeting of the Company on 27 April 2011, this will be paid on 12 May 2011 to members registered on the Company's registers at the close of business at 5.00 pm on 28 April 2011.

Prospects

The Board is optimistic on the long term prospects of the tin industry and believes the Group will be able to capitalise on the strong global tin market fundamentals and the current uptrend in tin prices to better its performance. The Group will focus on increasing its tin reserves and resources through investments in explorations and acquisition of new tin mining projects in Malaysia and Indonesia, as well as brownfield developments at its existing mines. The Group will also continue with the ongoing efforts to improve operating efficiencies.

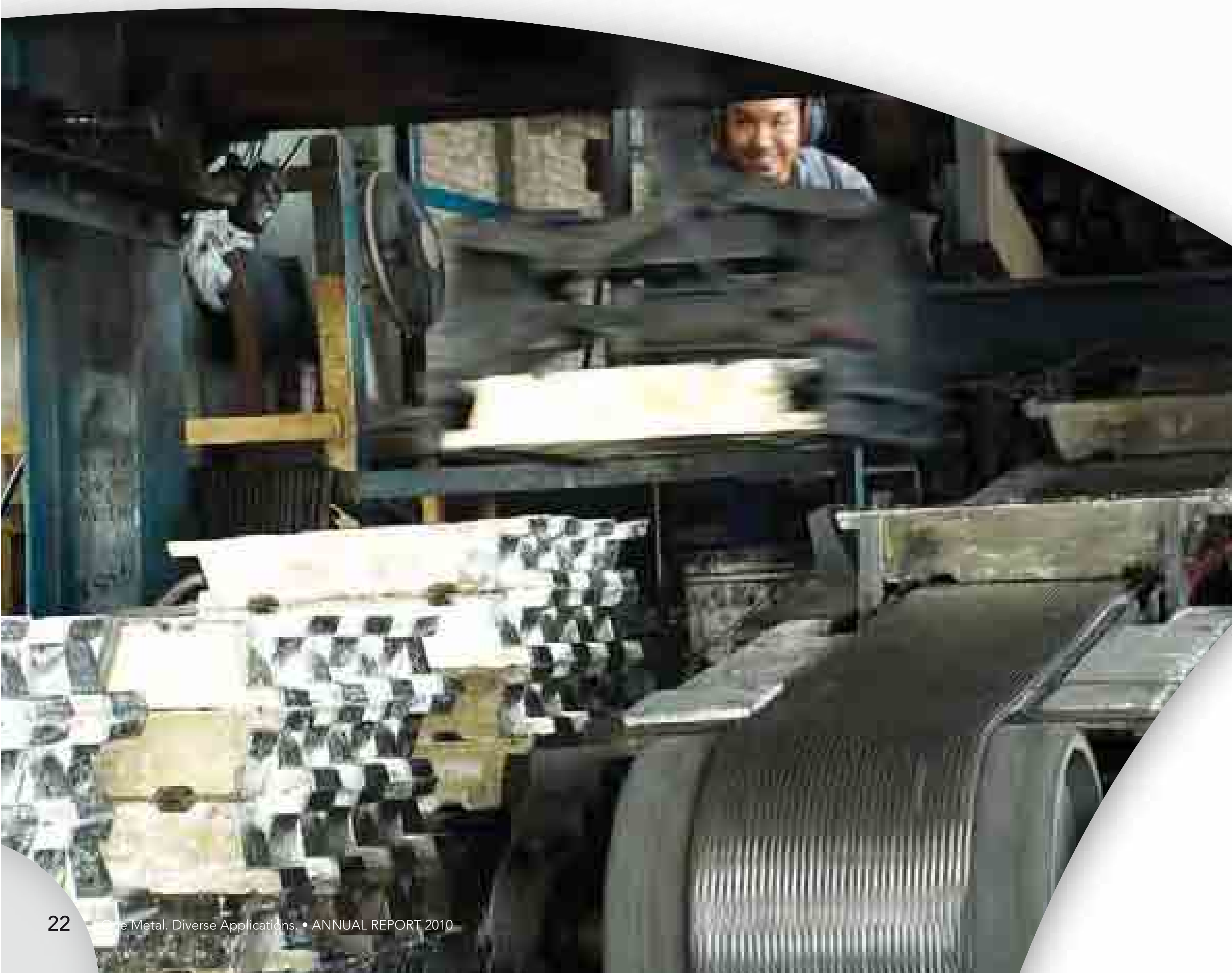
Corporate Governance

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 and Risk Management

The Board has overall responsibility for the Group's internal control and risk management systems and for reviewing their effectiveness. These procedures are aimed at safeguarding assets and ensuring 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 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 welcome Mr Mark Christopher Greaves who joined the Board on 1 November 2010. Several changes were made on the composition of the various Committees of the Board. The details are shown in pages 51,52, 53 and 57 under the Corporate Governance Report. We would like to thank our fellow directors for their wise counsel and active participation throughout the year.

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 unwavering 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.

Norman Ip
Chairman

Dato' Seri Dr Mohd Ajib Anuar
Group Chief Executive Officer/Executive Director

Secondary Listing on The Singapore Exchange Securities Trading Limited (SGX-ST) on Thursday, 27 January 2011

ACHIEVEMENTS

World's largest custom tin smelter and the first to obtain ISO 9002 certification

Registered on both the London Metal Exchange and Kuala Lumpur Tin Market

Primary listing on the Main Board of Bursa Malaysia Securities Berhad achieved on 15 December 1994

Annual production of 40,000 tonnes of refined tin

First Malaysian company to be listed both on Bursa Malaysia and SGX-ST since 1989

Secondary Listing on Singapore Exchange Securities Trading Limited (SGX-ST)

The Chairman of MSC, Mr Norman Ip

January 27, 2011 was an auspicious day for MSC as the Company's share made its debut in a secondary listing on the Singapore Stock Exchange Securities Trading Limited's main board (SGX-ST). With this move, MSC became the first company to be listed on both Bursa Malaysia Securities Berhad (Bursa Malaysia) in Malaysia and the SGX-ST since the mutual de-listing of cross listed stocks in the Kuala Lumpur Stock Exchange and the Singapore Stock Exchange in 1989.

The secondary listing of MSC allows it to have a wider access to the capital market and maximize its growth potential. Dato' Seri Dr Mohd Ajib Anuar, the Group CEO/ED of MSC was pleased with the strong investors support and vowed that the Company will capitalize on the enhanced corporate profile as well as capital position to tap market opportunities in the tin industry.

Lion dance to usher in the auspicious debut

Secondary Listing on Singapore Exchange Securities Trading Limited (SGX-ST)
(cont'd)

Directors of MSC (from left) Mr Mark Christopher Greaves, Mr Chew Kwee San, Mrs Maureen Leong, Mr Norman Ip, Dato' Seri Dr Mohd Ajib Anuar, En Razman Ariffin, Mr Yeo Eng Kwang and Executive Vice President together with Head of Listing of SGX-ST Mr Lawrence Wong

Against the backdrop of the current close bilateral ties between Malaysia and Singapore, the successful listing is testament to the confidence in the bourses on both sides of the Causeway.

In the exercise, a total of 25 million new shares was issued, raising the enlarged issued and paid up share capital of MSC to RM100 million, comprising100 million MSC shares. Total proceeds of approximately SGD43.75 million (equivalent to RM104 million) will be used mainly for development of new mines and the balance for expansion of current operations and general working capital.

MSC's Chairman, Mr Mr Norman Ip speaking to Mr Magnus Böcker, CEO of SGX-ST

Lunch reception after the listing ceremony

A review of our tin mining operations

Rahman Hydraulic Tin Sdn Bhd (100% Interest)

Corporate/Brief description

Rahman Hydraulic Tin Sendirian Berhad (RHT), which began operations in 1907, was acquired by the MSC Group in November 2004. The tin mine is located at Klian Intan, at the very north of the state of Perak in Malaysia. RHT's mining concession, comprising 5 mining leases with a total area of 601 hectares is valid for another 8.5 years.

RHT operates a single large open-pit mine and 4 processing plants.

Process water for the plants is mostly recycled from the 20 tailings ponds, covering an area of 70 hectares. Electrical power for the mine is partly obtained from the mine's own mini hydro power station (50%) that was built in 1924. The remainder of the power is obtained from the national grid, i.e. Tenaga Nasional Berhad. Another power station, with 4 large generator sets run by diesel fuel is on standby, in case of maintenance or power failures from the 2 usual power sources.

Mining and processing operations

Mining operations at RHT are carried out on a hard rock tin deposit that has been partly weathered and involves drilling, blasting, excavating, loading and hauling of overburden waste and ore bearing material using excavators, bulldozers and off-highway trucks. The overburden waste is hauled to designated waste dumps and the ore material is transported to the 4 ore processing plants.

The 4 ore processing plants at RHT are designed to treat the different nature of ore material from the open-pit, as follows:-

(1) Palong No. 2 – for weathered ore
(2) Kota Bunyih Mill – for hard rock ore (involving crushing and grinding)
(3) Tin Mill – for semi-hard rock ore, and
(4) Mini Mill – for re-treatment of ores with interlocked tin.

In general, the ore from the open-pit mine goes through a process of crushing, grinding, jigging, tabling, dressing, drying and removal of some impurities, mainly iron, resulting in a tin concentrate containing 70 – 72% tin. The tin concentrate is then filled into canvas bags (each bag containing about 35 kgs) and is delivered in consignments to MSC's smelter in Butterworth, Penang for smelting into tin ingots.

Performance

When RHT was acquired by MSC in 2004, the mine was badly rundown and was in a deplorable condition. Significant improvements were carried out, in stages, to revive and improve the whole mine, its infrastructure and related facilities.

The main areas of improvements are as follows:-

- accelerated removal of overburden, in order to cut back the pit slopes of the open-pit mine to create a spacious pit floor and to establish several mining faces for uninterrupted availability of ore
- refurbishment and upgrading of all the 4 tin processing plants that were badly rundown
- operational cost savings by obtaining lower cost power from the national grid (Tenaga Nasional Berhad) to replace high cost power generated using 6 large generator sets run by diesel fuel, and replaced all old transmission lines (10 km in total)
- revival, refurbishment and improvements to the mini hydro power station
- replacement of all 15 large capacity water pumps and motors (that supply water to the 4 tin processing plants) with new units to ensure uninterrupted and efficient process water supply. Eventually the total number of pumps were increased to 30 units, and
- successful eradication of rampant tin stealing from the open-pit and processing plants.

Within 5 years after the takeover by MSC, RHT was transformed into a model open-pit tin mine with tin production levels at double the general levels achieved over the past 100 years.

For the financial year ended 31 December 2010, RHT produced 1,769 tonnes of tin metal (1,693 i tonnes n 2009) with a profit before tax of RM28.2 million (RM15.3 million in 2009). Tin production in 2010 was 135% higher than the tin production of 753 tonnes tin metal in year 2004.

A new 6-lane Palong is under construction and is scheduled to commence tin production operations in mid-2011. The new Palong would have 6 lanes compared to the 8 lanes of the existing Palong No. 2, and is named as Palong No. 1. Lower grade ores from the open-pit would be treated at this new Palong. Tin production from the new Palong is estimated to average 25 tonnes tin metal per month.

Tin resource

RHT has also achieved very successful results from its extensive exploration and drilling activities undertaken after its takeover of the ore mine.

The total tin resource at RHT as of 15th March 2010 is estimated at 19,479 tonnes tin metal. The resource is based on 98 Reverse Circulation (RC) drill holes (totalling 8,737 drill-meters) that were drilled within and around the open-pit mine in 2005 and in 2009/2010.

An ore block model was generated using Micromine software, and from this block model, resources were calculated in three categories (measured, indicated and inferred) using standards that are compliant with the JORC Code. The tin resources are summarized in the Table below.

RESOURCE CLASS	VOLUME (m^3)	GRADE ($KgSn/m^3$)	Tin Metal (Sn) (Tonnes)
Measured	1,366,944	3.50	4,786
Indicated	1,673,872	3.63	6,081
Inferred	2,415,860	3.56	8,612
TOTAL	**5,456,676**	**3.57**	**19,479**

Based on the above total tin resource, a mine life of about ten years is expected. Further drilling within RHT's leases is planned to establish additional resources to extend the mine life.

New areas with potential for tin mining in Malaysia are being sought, some of which are ex-mining sites, in the States of Perak, Pahang and Terengganu, for future continuity of the tin mining business by RHT/MSC.

Environmental

RHT has initiated a progressive mine rehabilitation programme over selected areas that are not active and will not be affected by future mining activities. So far, 3 experimental plots have been selected with one prominent area of about 2 hectares located at the top west of the open-pit.

All process water that is discharged from the four tin processing plants is recycled from the tailings ponds by pumping back. Water lost to evaporation from the tailings ponds is replenished by pumping-in from a nearby stream and excess water during rain is stored in two reservoirs within the tailings areas. With the above closed loop system, there is no discharge of mine effluent from the tailings areas into the surroundings.

A comprehensive geotechnical engineering study has been commissioned to look into raising the bunds/embankments of the existing tailings areas by 5 to 10 meters so as to increase the tailings retention capacity and thus extend the life of the tailings retention areas of RHT and to continue the closed loop system.

PT Koba Tin (75% interest)

PT Koba Tin has a Contract of Work (CoW) with the Government of Indonesia giving it the exclusive rights for exploration, mining and smelting of tin within an area of 41,680 hectares in the province of Bangka Belitung Islands. The area straddles over two regencies, namely Bangka Tengah and Bangka Selatan. The CoW commenced in 1973 for a period of 30 years and it was renewed for another 10 years up to March 2013. MSC acquired a 75% equity interest in PT Koba Tin in 2002 as part of its strategy to venture upstream into tin exploration and mining as well as to become a fully integrated tin producer. The remaining 25% equity interest is held by PT Timah Tbk, a Government-controlled listed company which is also the largest tin producer in Indonesia.

Since MSC's acquisition in 2002, PT Koba Tin has been able to significantly improve its operating performance as well as to replenish its tin reserves that have been depleted from ongoing mining operations through a comprehensive exploration programme. PT Koba Tin currently operates a large 24 cu ft bucketline dredge and several gravel pump (GP) mining units. Over the years, the dredge's efficient operation and high throughput of about 400,000 cu m per month have resulted in it being among the lowest cost mining units. On the other hand, the more traditional GP units are extensively used in combination with the palong (sluice boxes) providing the flexibility for mining tin deposits of varying sizes and grades throughout the CoW area. Earthmoving equipment fleets are used extensively for removal of barren overburden to expose the tin-bearing 'wash' materials. For the year 2010, a total excavation of 16 million cu m was achieved reflecting a significantly large scale mining operation.

PT Koba Tin also operates a highly efficient tin smelter having a design capacity in of approximately 25,000 tonnes per year. The company produces LME-registered Koba-brand tin ingots of various specifications including 99.9% Sn and low-lead tin.

PT Koba Tin adopts an integrated management system guided by the ISO 9001 for quality management, ISO 14001 for environmental management and OHSAS 18001 for occupational health and safety practices. The company received these accreditations concurrently in 2006 from Lloyds Register Quality Assurance and it has since continually improved its standard operating procedures and work instructions for management and control of all areas of operational activity.

During the year, the company spent USD 3.05 million for mine rehabilitation and reclamation as part of the long term mine closure programme. This included planting of trees over an area of 800 hectares of land disturbed by mining activities.

PT Koba Tin (75% interest) (cont'd)

For the financial year ended 31 December 2010, PT Koba Tin produced 6,644 tonnes of tin metal, including 991 tonnes from smelting of slag stock (7,335 tonnes in 2009) with a profit before tax of USD8.08 million (USD1.03 million in 2009).

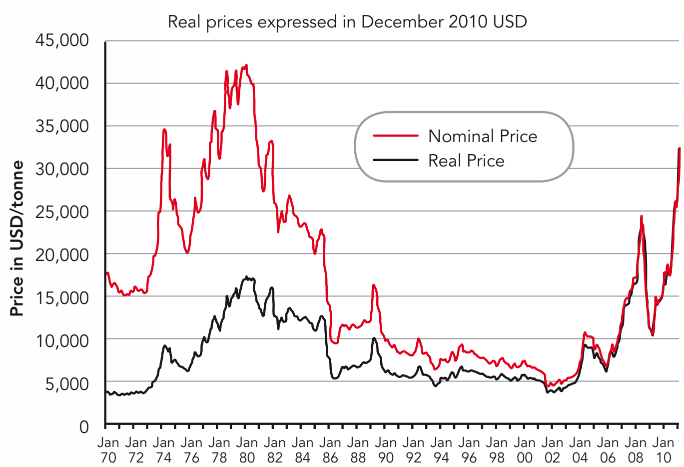
The following table shows the estimated reserves and resources inventory as at 30 June 2010. The estimates have been prepared in line with the guidelines of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code). The company has an ongoing exploration/drilling programme aimed at replenishing the reserves that are being depleted from mining operations. As much of the CoW area is located within production forests, an ongoing effort is being made to obtain forestry permits from the Ministry of Forestry to enable exploration and mining activities to be carried out in these areas. We believe that the exploration and drilling activities will lead to discovery of additional resources that would justify continued mining operation for the next 10 years beyond 2013.

Category		Volume '000 m^3	Grade Kg Sn/m^3	Contained Tin tonnes
Reserves	- Probable reservess	2,529	0.29	741
	- Proven	57,930	0.33	19,317
Total Reserves		**60,459**	**0.33**	**20,058**
Resources	- Measured	18,309	0.24	4,452
	- Indicated	37,965	0.15	5,778
	- Inferred	45,855	0.20	9,149
Total Resources		**102,125**	**0.19**	**19,375**
Total Reserves and Resources		**162,584**	**0.24**	**39,433**

Review of the Global Tin Industry 2010

MSC

Prices head towards 1980s peaks



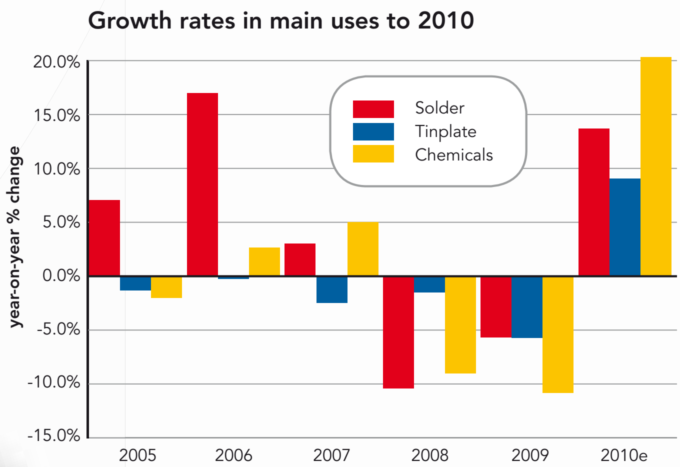
Recent price performance

Tin prices have moved up into uncharted territory recently, although in inflation-adjusted terms they are still below the peaks of the late 1970s-early 1980s. The annual average London Metal Exchange (LME) cash settlement price for tin in 2010 was USD20,447/tonne, the highest recorded since US dollar-denominated trading on the exchange began in 1989. The average price was 50% higher than in 2009 and the increase over the course of last year was even greater, outstripping that of all the other LME metals. The peak daily settlement price of USD27,600/tonne was recorded in mid-October. Prices subsequently stabilised below this level until January 2011, before surging again to above USD32,000/tonne in February.

One of the key drivers of the new boom has been buying by investment funds, supported by the accommodating monetary policies of governments around the world (e.g. zero real interest rates, quantitative easing). However, tin has out-performed other commodities because major investment funds believe that market fundamentals – rising global demand versus lack of investment in new sustainable supply sources – should support high prices for at least several years to come.

Growing consumption

Following a slump after the global financial crisis in late 2008, world tin use has recovered strongly from the second half of 2009 through 2010. ITRI surveys of a large sample of tin consumers indicate that world tin use rose by almost 13% to 363,000 tonnes last year. The chart on the following page shows year-on-year changes in world demand in the "big three" applications which between them account for 84% of refined tin usage. All three declined in both 2008 and 2009, with solders declining more quickly at first and chemicals experiencing the biggest cumulative fall over the two years. However, chemicals have shown the strongest recovery in 2010.



Total tin consumption in solders has accounted for more than half of usage since 2005 and was a little less than 54% in the last two years. We estimate that of the 196,000 tonnes of refined tin used in solders in 2010 of which almost 90% went into electronics. The global shares of tinplate and chemicals have declined slightly in the last five years, to around 17% and 13% respectively. There are marked regional variations in market shares by application, with solders much more important in China and other Asian countries, and tinplate and chemicals more important in Europe and the Americas. Tin chemicals is the most price-sensitive major application, but there are few signs yet of substitution occurring. ITRI forecasts that world tin use will rise by 2-3% in 2011. Although the natural disasters in Japan and rising energy prices may constrain world economic growth, the expansion of China and other emerging markets will continue to drive activity.

The importance of China

As the table below shows, China is by far the world's largest producer and consumer of refined tin, accounting for 44% and 41% respectively of global production and usage in 2010. Consumption reached a new record level last year, driven by the expansion of the electronics and information technology industry, where output rose by 25%. China now accounts for more than half the tin used in solder production worldwide, and growing domestic demand is reducing the country's dependence on export-led growth. China is predicted to become the world's largest economy, overtaking the USA, within the next decade.

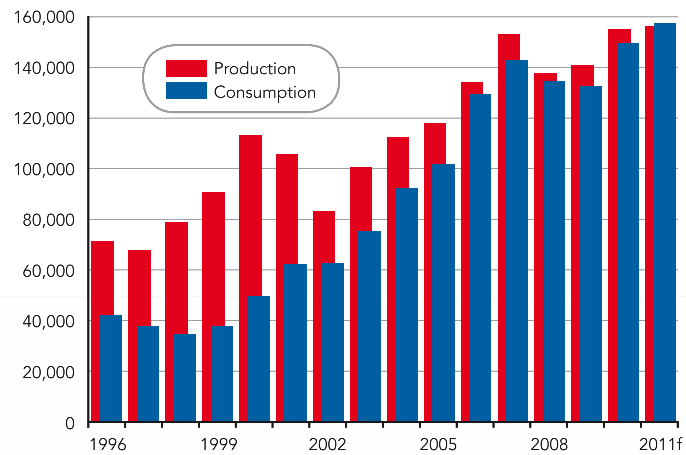
World Production and Consumption of Refined Tin

('000 tonnes)	2007	2008	2009	2010e	Forecast 2011
Production					
China	152.5	137.5	140.6	155.0	156.0
Indonesia*	77.9	67.0	64.5	57.1	60.0
Malaysia	25.5	31.6	36.4	38.7	37.0
Thailand	19.8	21.7	19.3	23.5	22.0
Bolivia	12.3	12.7	15.0	14.9	16.0
Brazil	10.2	10.8	10.4	8.0	10.0
Peru	35.9	38.0	33.9	36.1	34.0
Belgium	8.4	9.2	8.7	9.9	12.0
Russia	2.5	1.4	1.0	1.0	1.0
Others	8.5	7.2	6.0	7.0	8.0
Total World	**353.4**	**337.1**	**335.9**	**351.3**	**356.0**
Consumption					
China	142.7	134.0	132.4	149.2	154.9
Japan	35.0	30.4	27.1	32.5	31.0
Other Asia	66.4	64.6	59.2	65.0	68.0
USA	34.5	30.0	26.4	30.0	30.0
Other Americas	19.0	18.4	16.6	19.0	19.0
Europe	71.7	67.6	55.8	63.8	63.0
Others	3.4	3.4	3.0	3.2	3.2
Total World	**372.7**	**348.4**	**320.5**	**362.7**	**369.1**

World Supply/Demand Balances in Refined Tin					
('000 tonnes)	2007	2008	2009	2010e	Forecast 2011
World					
World Refined Production	353.4	337.1	335.9	351.3	356.0
DLA Sales	7.7	3.7	0.0	0.0	0.0
World Refined Consumption	372.7	348.4	320.5	362.7	369.1
Global Market Balance	**-11.1**	**-7.0**	**15.4**	**-11.4**	**-13.1**
Reported stocks					
LME	12.2	7.8	26.8	16.4	8.0
Producers	9.5	12.2	7.7	7.0	6.0
Consumers/others	13.7	12.5	11.6	11.0	10.0
Total	**35.4**	**32.4**	**46.1**	**34.4**	**24.0**
World Stock Ratio (weeks consumption)	4.9	4.8	7.5	4.9	3.4

As the chart shows, Chinese consumption has been rising faster than production of refined tin, greatly reducing its exportable surplus. However, it has not yet become a consistent net importer. Indeed recently arbitrage opportunities provided by the rapid rise in LME prices relative to the tin price in China has resulted in a temporary rise in exports again, resulting in a rise in exchange stocks. Looking further ahead, China's mine production is not expected to rise above 100,000 tonnes per year, so future growth in refined tin production can only be achieved by increased recycling and imports of tin raw materials.

China market now finely balanced



Supply trends, constraints and requirements

Eight of the twelve leading tin companies shown in the table below increased their production in 2010, in several cases exceeding earlier expectations of their performance. Yunnan Tin retains its position as the world's largest producer for the sixth year in a row, and has increased the gap between itself and the other two major integrated producers, PT Timah and Minsur. MSC Group – combining production in Malaysia and Indonesia – moved up to second place in the world ranking as production at the Butterworth plant increased further. The other main global custom smelter, Thaisarco, increased its production despite a drastic reduction in concentrate intake, more than offsetting this by stepping up its refining of tin from Indonesia and LME warehouses.

Higher prices are now stimulating production from small mines around the world. In Indonesia, for example, although production by PT Timah and PT Koba fell by more than 10%, private smelters buying ore from small mines are increasing their activity. However here and elsewhere in the world, artisanal and small-scale mining (ASM) activity is being capped by the authorities and/or difficulties in accessing viable mining land. The ASM share of world mine production has

Leading Tin Companies

(Production, tonnes refined tin)

Company	2006	2007	2008	2009	2010e	% change
Yunnan Tin (China)	52,399	61,129	58,371	55,898	59,180	5.9%
Malaysia Smelting Corp	22,850	25,471	31,630	36,407	38,737	6.4%
PT Koba Tin (Indonesia)	20,930	7,724	7,109	7,455	6,644	-10.9%
Total MSC Group	**43,780**	**33,195**	**38,739**	**43,862**	**45,381**	**3.5%**
PT Timah (Indonesia)	44,689	58,325	49,029	45,086	40,413	-10.4%
Minsur (Peru)	40,977	35,940	37,960	33,920	36,052	6.3%
Thaisarco (Thailand)	27,828	19,826	21,731	19,300	23,505	21.8%
Liuzhou China Tin (China)	13,499	13,193	12,037	10,500	14,300	36.2%
Yunnan Chengfeng (China)	21,765	17,064	13,500	14,947	14,155	-5.3%
EM Vinto (Bolivia)	11,304	9,448	9,544	11,805	11,520	-2.4%
Metallo Chimique (Belgium)	8,049	8,372	9,228	8,690	9,945	14.4%
Gejiu Zi-Li (China)	8,990	8,234	7,000	5,600	9,000	60.7%

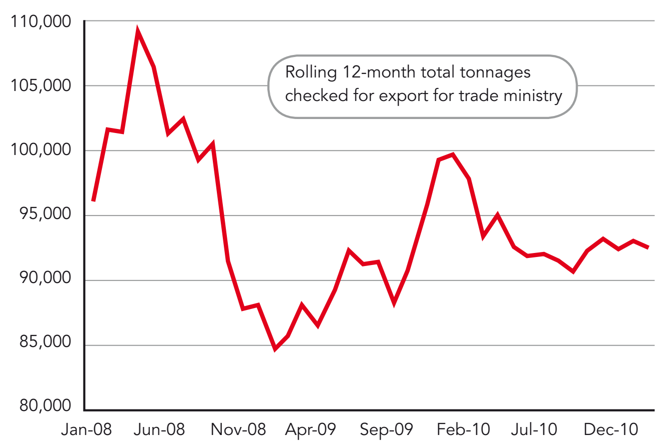
Data: ITRI.

dropped from over 60% at its peak in 2005 to around 40% recently. Meanwhile although the attractiveness of investing in larger scale new mines has increased considerably, there are significant time lags (2-3 years at least) involved before many such projects will be able to start production. ITRI calculates that some 80,000 tonnes per year of new mine capacity will be required in the next five years to meet growing world demand and the depletion of current operations.

Price outlook for 2011

The consensus view among a large sample of analysts surveyed by Reuters in January 2011 was that LME tin prices would average around USD27,000/tonne in both 2011 and 2012, although a number of major banks have increased their forecasts since then. This price level is about in line with expected fundamental supply/demand factors, although the actual outcome could be significantly higher or lower depending on investor activity. A number of large investment funds are known to be positive about the outlook for tin prices. Furthermore, new commodity derivative products such as exchange traded funds (ETFs) have recently widened the opportunities for investment in base metals to retail investors, although this has initially had only a modest impact in tin. On the other hand, investment demand is sensitive to unexpected changes in world financial markets, so there is downside risk for all commodities too. The upheavals in the Middle East and North Africa and growing expectations of rises in interest rates in some of the major economies have increased this risk recently.

Indonesian export tonnages



Solder

Solders in electronics today account for just under half of all global tin use, with half of that being in China. Use increased sharply between 1995 and 2005 as rapid growth of electronics combined with implementation of lead-free soldering technology.

Conversion to lead-free soldering is now around 65% complete globally, focussed mainly on high volume consumer electronics sectors. The EU RoHS Directive (2002/95/EC) came into force in 2006 and was the major driver, based around the original issue of waste electronics in landfill. This has been recently revised and will have a broader impact over the next decade. China has been implementing its own lead-free electronics legislation and will this year announce new stronger measures, more in line with the EU Directive.

Sectors such as transport, aerospace and military are specifically outside the scope of this type of regulation but are nevertheless feeling its impact through lack of availability of leaded components for example. Adoption in the automotive sector is already extensive and will in any case become mandatory in Europe by 2016 under a second EU Directive on end-of-life vehicles. There is a strong resistance to lead-free soldering in aerospace and military sectors over perceived reliability issues, particularly in the US. However, US stakeholders in the PERM Consortium are currently committed to at least $95 million worth of projects on the issue.

Although 61% of solder in China is already lead-free, mainly for the export market, there is a need for low-cost solutions particularly for the growing national market. Conventional lead-free solders use 3-4% silver representing around half the total alloy cost, but it is possible to reduce this to 1% or even zero for most applications, especially if additional additives are used. Some products have already been on the market for some time and work is underway in China and elsewhere to develop cheaper low-silver lead-free solder solutions.

There are a number of other innovations aimed at niche lead-free solder markets. These include high reliability nanocomposite solders for automotive and other applications, high temperature solders for use inside components and low temperature solders such as nanosolders to combat issues with higher processing temperatures.

Lead-free solder is now being used in light bulbs too. However, although solder use in this sector is very significant it is very difficult to assess future potential impact on the tin market.

Completion of the lead-free solder transition in China and the rest of the world could represent an additional consumption of more than 20,000 tpa tin.

However, miniaturisation of electronics, particularly consumer products, means that some solder joints are becoming very small indeed. Circuit board design is also changing, for example towards stacked configurations or embedded components, using less or even no solder. There are already seminars globally about 'solderless assembly' and it is conceivable that, if such new technologies are developed cost-effectively, solder use in electronics could be very significantly reduced, although in the very long term.

Tinplate

Tinplate represents 17% of global tin use and is generally considered to be a traditional product in a commodity market.

Tin is used mainly in food cans where tinplate dominates the sector. Less tin is used in beverage cans where there is also strong competition, particularly from aluminium. All beverage cans in the US are made from aluminium. Some tinplate is used in other 'general line' packaging, for example for paint, edible oils or dry foods, especially in India and developing countries.

Technology developments are currently focussed around media-driven issues such as replacement of lacquers made from Bisphenol A used inside tin cans. This requires a great deal of technology cooperation globally and across the supply chain.

Sustainability is a key theme and drives technologies such as thinner, stronger steels and more sustainable tin plating electrolytes. Other developments focus on improving user-friendliness with smart packaging, easy-open ends and microwaveable steels for example.

There has been pressure on tin use in tinplate for some time and this has recently been exaggerated by high tin prices and perceptions of tin supply issues. Some research is underway to try to replace or reduce tin and the industry is calling for more work on low-coating weight tinplate. Low Tin Steel (LTS) products do already exist in Japan in particular, using much less tin.

This may be compensated by an issue with Tin-Free Steel (TFS), representing a significant proportion of steel packaging use, particularly in Japan. Tin was replaced by chromium, but sustainability pressures on chromium may mean that this could be at least partially reversed in the near future.

Tin chemicals

There are a very wide range of applications of tin in chemicals, exploiting its very many useful properties.

The largest use today is still in PVC stabilisers, mainly in applications such as roofing, window profiles and bottles where the tin prevents the PVC from degrading in heat and light. However, there has been very strong environmental pressure on organotin products generally and this has resulting in a declining market, particularly in Europe. Alternatives to tin do now exist, even for applications such as transparent roofing where tin use has been robust. With recent higher tin prices tin stabiliser producers are forecasting significant losses through substitution.

Other uses include glass coating, a large number of catalysts, dental products, pharmaceuticals and chromium passivation in cement.

Despite pressure from high tin prices, in general the tin chemicals market looks to be set for growth in the longer term due to a wide variety of new high-added value technologies. This will be helped by the fact that some competitive products such as those using antimony are also experiencing severe price pressures.

Tin metal and alloys

A number of tin metal and alloy products account for the remainder of tin use.

Molten tin is used in the float glass process to make flat glass products globally.

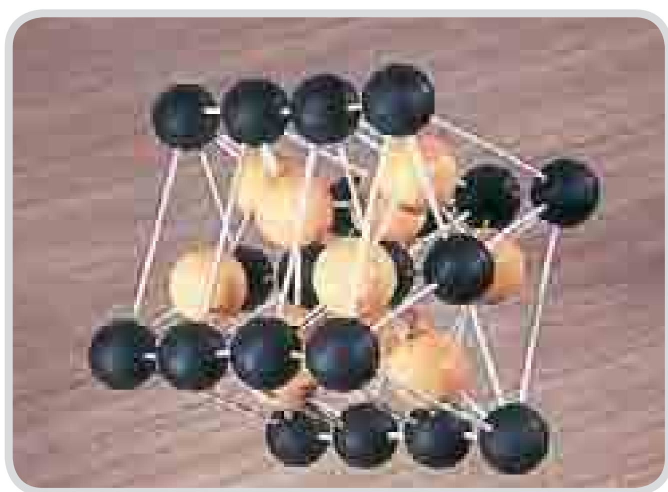
Tin alloy bearings of various types have been used for many years in engines and are still used where their properties offer particular benefits.

Pewter is a very well-known traditional tin alloy used in craft for jewellery and giftware.

Emerging markets

Over the last two decades tin has greatly benefited from its status as a safe and sustainable metal, replacing other metals notably lead. This trend is likely to continue as elements such as antimony, chromium and nickel come under pressure.

There are also a number of important new tin chemical uses including tin-based energy technologies.



Fire retardants
Tin-based fire retardant products such as zinc stannates have been used in polymers for some years but market growth has always been restricted by price competition from the conventional product antimony trioxide. Now, however, antimony prices are escalating and the gap is narrowing significantly. At the same time antimony trioxide is coming under some environmental pressure.

The result is that zinc stannate producers are currently reporting record sales and are rapidly stepping up production to meet demand.

At the same time halogenated fire retardants are being phased out globally, opening up very large new markets in halogen-free fire retardants. Tin can compete very strongly in this market and is currently being evaluated in major collaborative projects.

Brake pads
Antimony is also used in vehicle brake pad products as antimony sulphide. Again, tin sulphide has been shown to be a highly effective replacement technology.

New tin-based products are now being marketed, with very significant tin market potential.

Stainless steel
Nippon Steel, Japan recently launched two new stainless steel grades with 0.1% and 0.3% Sn. These products will compete with two major existing grades representing half of the total stainless steel market of 30 million tpa.

Tin replaces chromium and some nickel in this application. At the same time it gives better corrosion resistance and better formability.

Clearly it will take some time to expand capacity into the market but, with such a high volume market, new tin consumption could be more than 15,000 tpa.

Lithium ion batteries
Foremost in a new portfolio of tin-based energy technologies is the use of tin in lithium-ion battery electrodes. Lithium-ion batteries are already extensively used in electronics, notably portable devices such as laptops and camcorders. New applications in the large electric vehicles market are being developed, notably in Japan.

Conventional technology uses carbon as an electrode, but it has been shown that adding tin can increase capacity by 3-4 times. Scientists globally are working to overcome some critical technical issues with tin use, but already some solutions are being launched commercially.

Successful implementation of tin technologies in lithium-ion batteries could result in at least 17,000 tpa new tin use.

Solar Cells
At the same time a new 30% tin-content material, kesterite, is leading the race to develop a new second generation material for solar cells. Conventional materials use relatively expensive and rare elements such as gallium. There is a need for cheaper more 'earth-abundant' materials and kesterite appears to have the right properties. Energy conversion efficiency needs to be improved but this is starting to be achieved now in research laboratories globally.

Future markets for alternative energy such as solar cells are huge. As an example, by 2050 it is calculated that we will need the equivalent of one new nuclear power station every other day.

A very small amount of tin is used in the glass films used for solar cells, meaning that use of tin in such technologies in the medium term is likely to be modest. However, in the much longer term this could amount to several thousands of tonnes per annum.

Fuel Cells
There are many designs of new fuel cell technologies and many new catalytic materials being developed to meet the large demand anticipated for this type of alternative energy system.

Tin has shown excellent performance in direct ethanol fuel cells but its use is likely to be modest.

A more promising technology is based on liquid tin anodes for large biomass/coal power generation plants. In the longer term – 2020 and beyond – this could amount to several thousands of tonnes per annum if the technology is successfully implemented.

Fuel catalysts
Fuel catalysts based on tin alloy pellets added into vehicle fuel tanks or in fuel line cartridges appear to offer a low-technology solution to rising energy costs and air pollution concerns, especially in regions with high urban population and poorer quality fuels. They can also be used in power generators, marine and boiler applications.

Future Markets for Tin (cont'd)

Developed in Russia during World War II, this simple concept has produced a very large number of reports of fuel savings of up to 10% and emissions reductions of up to 50%.

However, the market is restricted by a lack of scientific evidence on the exact mechanism of action. This challenge is being tackled by some research groups globally. It appears that fuel combustion and stability may be improved through the unique properties of the tin surface in removing and re-dispersing trace metals from the fuel itself. Clear demonstration of this hypothesis should unlock very large potential markets for tin.

Water treatment
New water treatments based on stannous chloride have been tested in large-scale drinking water systems and industrial water cooling towers. The treatment appears to reduce corrosion, block metals release from pipework and prevent buildup of algae.

The product has a number of advantages over conventional products such as phosphates used in water cooling towers.

However, its mechanism is not yet fully known and this is the subject of further research.

Anti-microbial healthcare
It has been known for some time that tin and zinc fluoride combinations are highly effective anti-viral and wound-healing agents.

This has recently been exploited in the US where a new range of veterinary products is being launched.

The key market is for a footbath treatment for Bovine Digital Dermatitis (BDD) in dairy herds. The tin-zinc product has recently shown very strong performance against existing competitive products in field trials and looks set to take significant market share.

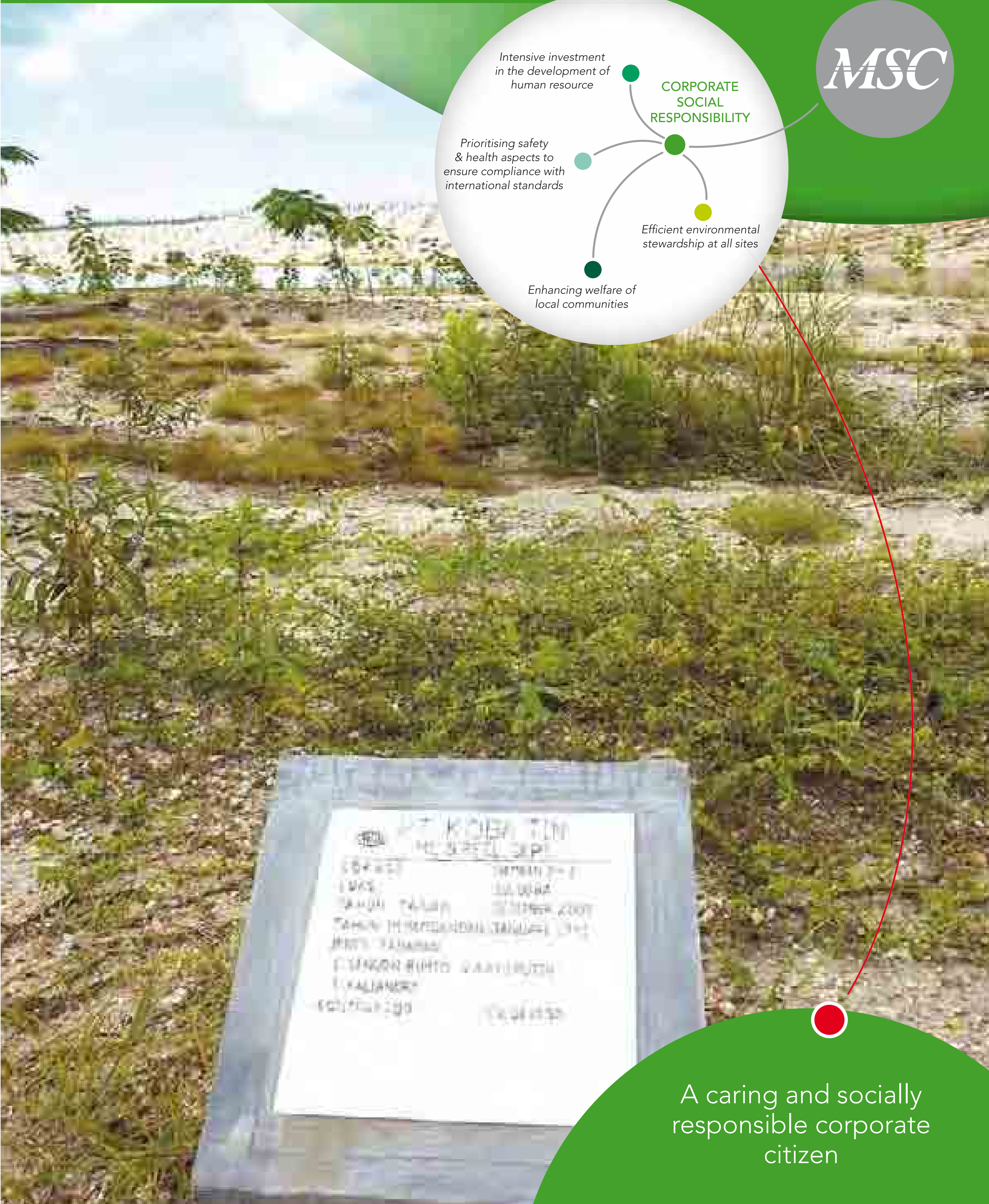
Whilst the immediate potential for new tin consumption is modest, expansion of the application into human healthcare products could represent much larger markets. Already tin fluoride is starting to be used in premium toothpaste products, for example.

Summary
The major markets for tin in solders and tinplate are likely to remain robust for some years to come although both are beginning to feel some pressure from technological change and tin supply issues respectively.

Current price pressures are reinforcing decline in the major tin chemical market of PVC stabilisers, already losing ground to competitors.

However, there are a number of new high added-value emerging technologies that could collectively result in significant new tin potential in the medium to long term, including fire retardants, brake pads, stainless steel, new tin-based energy technologies, water treatment and anti-microbial healthcare products.

Tin continues to benefit from being a safe and sustainable metal, replacing products containing lead and other elements in a range of applications. The unique properties of tin are still being discovered and applied in a range of new developments that will contribute to a sustainable future for our planet.



CORPORATE SOCIAL RESPONSIBILITY

Intensive investment in the development of human resource

Prioritising safety & health aspects to ensure compliance with international standards

Efficient environmental stewardship at all sites

Enhancing welfare of local communities

A caring and socially responsible corporate citizen

Corporate Social Responsibility

Business sustainability is a major concern of most companies today. At MSC, we see corporate social responsibility (CSR) as a means to achieving sustainability, besides economic prosperity and environmental quality. Over time, we have integrated CSR into our management system and this remains an ongoing focus in our business model. Our long history of over 100 years was due in part to our successful strict adherence to sustainability, including CSR, principles.

Land is a scarce resource and its continual availability is a pre-requisite to sustainability of our mining business. We believe the success of our CSR programme is fundamental to our continuing access to mining land. It is with this in mind, our operating mines have been giving top priority to CSR, including an increasing annual expense.

In 2010, we continued to have meaningful engagements with the community where our operations are located. Our community projects were carefully designed to serve the community needs. Naturally, this differs from location to location. To show our commitment, we also monitor closely the impact of our activities on the environment and communities. For the past year, we are pleased to report that not only there were no significant incidents encountered at all our operations, some were also given awards.

Our tin mine in Indonesia, PT Koba Tin, won two awards during the year, one for environment management from the Ministry of Energy and Mineral Resources and the other for environmental performance from the Ministry of Environment. PT Koba Tin stepped up rehabilitation of ex-mined out land as more funds are being allocated for this purpose, thanks to a remunerative tin price which prevailed throughout the year. In 2010, the mine rehabilitated 800 hectares of land and planted 590,200 trees at a cost of about USD3 million.

At Rahman Hydraulic Tin, the bulk of the CSR expenses, about 70% or RM1.8 million, was spent on mine rehabilitation, including greening of old waste dumps and some landscaping work to spruce up the mine surroundings. The balance mainly went to contributions to local communities, staff training, welfare as well as safety and health.

Our Group operations have always emphasized on conservation of the environment. In February 2011, we embarked on the MSC Go Green Lifestyle campaign where employees were encouraged to be environmentally conscious, both at home and at work, and to consciously make a positive impact on the natural environment by making a few simple life changes. To show our support of the Penang State Government's campaign of a "No Plastic Day", the company distributed reusable eco-bags to all our staff in Butterworth and Kuala Lumpur. From an environmental point of view, plastic bags take hundreds of years to break down, thus causing contamination and threats to mankind and water supplies. Research has shown that each green bag that we use is estimated to last an average household about two years - that is an estimated 8.3 plastic bags saved every week, or 431 plastic bags a year.

Human resources

The Company places a premium on human capital which has become a rare commodity in the mining industry. Incentives are provided to try and retain experienced staff whilst a comprehensive training programme is in place to upgrade the skills of existing staff. As part of a long term succession plan, collaboration is ongoing with local universities and colleges to train young graduates in selected mining-related courses.

During the year, we have also strengthened our human resource department in order to beef up staff training and welfare. This is part of an overall objective to foster a cordial corporate culture and environment where employees are given ample opportunities to realize their full potentials. Our staff attrition rate continues to stay at a low 5%.

Local community

As our mining operations are located in remote areas, we believe in empowering the community so that they can continue to sustain their livelihood when the mine ceases operation. Skills training is therefore a vital component of our community development. Hence, the community projects undertaken in 2010 include training programme in reflexology, acupuncture and bamboo handicraft. Other assistances include educational and training aids such as donation of computers to schools, sporting equipment and facilities to recreational clubs, construction/repairs of buildings such as churches, mosques and temples, provision of major infrastructure such as roads and bridges, and flood mitigation such as deepening of river beds.

Safety and health

We continue to foster a work culture incorporating safety, health and environmental consciousness at all our work sites. Training and refresher courses were provided throughout the year to instill safety and environmental consciousness at all times. Safety rules and signs were prominently displayed as a timely reminder whilst emergency procedures and fire drills were regularly carried out so that the rescue work can be carried out without hitches in an emergency. Safety inspections and tool box meetings were diligently carried out to create safety awareness and commitment among the workforce. The long term objective, of course, is to achieve a safe working environment and a zero lost time record.

At each work site, comprehensive health facilities are provided with clinics manned by in-house medical doctor and assistants. The clinics normally carry a range of medicine to cater for most common illnesses. Sometimes the mine also sends out medical and dental missions to remote areas surrounding the property in order to reach out to the larger community.

Environment

The land reclamation and rehabilitation programme by the Group operations are designed for long term environmental stability and economic post-mining land-use. The range of projects so far covers timber trees, agricultural crops, fruit trees, medicinal plants, fish farming and animal husbandry. At Rahman Hydraulic Tin, the mine worked closely with the Department of Environment on treatment of effluent discharge and rehabilitation of ex-mining areas. PT Koba Tin continued to intensify its rehabilitation programmes.

The Board of Directors (the "Board") fully appreciates the importance of adopting high standards of corporate governance within Malaysia Smelting Corporation Berhad (the "Company") and its subsidiary companies (the "Group"), in order to safeguard stakeholders' interests as well as enhancing shareholders' value. The Board views corporate governance to be synonymous with four (4) key concepts, namely transparency, accountability, integrity as well as corporate performance.

The Board believes in inculcating a culture that seeks to balance conformance requirements with the need to deliver long-term strategic success through performance, predicated on entrepreneurship, control and ownership, without compromising personal or corporate ethics and integrity.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is pleased to provide a narrative statement on the application of the Principles and the extent of compliance with the Best Practices as set out in Part 1 and 2 of the Malaysian Code on Corporate Governance (Revised 2007) (the "Code") as well as the relevant provisions in the Main Market Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

STATEMENT OF PRINCIPLES

The following statement sets out how the Company has applied the Principles as set out in Part 1 of the Code:

A. DIRECTORS

The Board

The Board plays a pivotal role in the stewardship of the Group's direction and operations, including enhancing long-term shareholders' value. In order to fulfill this role, the Board is responsible for:

- reviewing and adopting a strategic plan for business performance;
- overseeing the proper conduct of the Group's business;
- identifying principal risks and ensuring the implementation of systems to manage risks;
- succession planning;
- developing an investor relations programme; and
- reviewing the adequacy and integrity of the Group's internal control systems and management information systems.

Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. This demarcation of roles both complements and reinforces the supervisory role of the Board.

Board Committees

Four (4) committees function as proxies of the Board in carrying out its core functions, namely the Executive Committee, Audit Committee, Remuneration Committee and 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.

Executive Committee ("EXCO")

The EXCO's role is to focus on executive management and optimising operational performance of the Group. However, as the majority of the Board members are new appointees all matters for the year were deliberated at full Board level in order to allow every director to appreciate and better understand the business of the Company. The EXCO would be revived when deemed necessary.

Meetings

The Board meets regularly during the year for scheduled meetings with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Due notice is given of scheduled meetings and matters to be dealt with. All Board meeting proceedings are minuted, including the issues discussed and the conclusions made in discharging its duties and responsibilities.

During the financial year ended 31 December 2010, the Board met on fourteen (14) occasions, where it deliberated upon and considered a variety of matters, including approving the Group's financial results, strategic and investment decisions, appointment and reappointment of Directors as well as financial and operating performance of its subsidiary companies.

A. DIRECTORS (cont'd)

Meetings (cont'd)

Board papers 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.

Details of each Director's meeting attendances are as follows:

Director	Meetings attended
Mr Norman Ip Ka Cheung	14/14
Mr Choi Siew Hong *(retired on 11-05-2010)*	6/6
Dato' Seri Dr Mohd Ajib Anuar	14/14
En Razman Ariffin	14/14
Mr Yeo Eng Kwang	13/14
Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong	11/14
Mr Lim Sit Chen Lam Pak Ng *(appointed on 01-03-2010)*	8/12
Mr Chew Kwee San *(appointed on 01-03-2010)*	11/12
Mr Mark Christopher Greaves *(appointed on 01-11-2010)*	2/3

Board balance

At the date of this statement, the Board consists of eight (8) members, comprising three (3) Independent and Non-Executive Directors, one (1) Executive Director and four (4) Non-Independent and Non-Executive Directors.

The concept of independence adopted by the Board is in line with the definition of an Independent Director in Section 1.01 of the Listing Requirements of Bursa Malaysia. The key element for fulfilling the criteria is the appointment of an Independent Director who is not a member of the Management (a Non-Executive Director) and who is free of any relationships which could interfere in the exercise of independent judgment or the ability to act in the best interest of the Group. The Board complies with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia which requires that at least two (2) Directors or one third (1/3) of the Board, whichever is the higher, are Independent 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 brief profile of each Director 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 formalises 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, following the retirement of Mr Choi Siew Hong from the Board, the Board has identified and appointed En Razman Ariffin as the replacement Senior Independent Non-Executive Director, to whom concerns of Directors, Shareholders, Management and others may be conveyed.

The Board is satisfied that the current Board composition fairly reflects the investments of the Shareholders in the Group.

Supply of Information

The Board's Chairman undertakes primary responsibility for organising information necessary for the Board to deal with the agenda and in ensuring that all Directors have full and timely access to the information relevant to matters that will be deliberated at the Board meeting. 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.

All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that:

- the Board receives appropriate and timely information for its decision making; and
- Board procedures are followed and all the statutory and regulatory requirements are met.

The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained. The Board believes that the Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Company's Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

A. DIRECTORS (cont'd)

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 Directors may do so with the prior consent and approval of the Board's Chairman.

Appointments to the Board

Nominating Committee

The Nominating Committee, during the financial year ended 31 December 2010, comprised the following members:

Director		Meetings
Mr Choi Siew Hong	Chairman, Independent and Non-Executive Director *(retired from the Board and thus ceased to be a member of the Committee on 11-05-2010)*	1/1
En Razman Ariffin	Independent and Non-Executive Director	2/2
Mr Norman Ip Ka Cheung	Non-Independent and Non-Executive Director *(Ceased to be a member of the Committee on 30-12-2010)*	2/2
Mr Chew Kwee San	Non-Independent and Non-Executive Director *(Appointed as Chairman of the Committee on 30-12-2010)*	0/0
Mr Mark Christopher Greaves	Independent and Non-Executive Director *(Appointed on 30-12-2010)*	0/0

The Nominating Committee is empowered by the Board and its terms of reference to ensure there are appropriate procedures in place for the nomination, selection, training and evaluation of Directors and that succession plans are in place. The Nominating Committee assesses the effectiveness of the Board as a whole and the contribution of each individual Director on an annual basis. The Nominating Committee also analyses the structure, size and composition of the Board vis-à-vis the Company's requirement.

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

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

Appointment process

The Nominating Committee meets annually with additional meetings convened whenever the need arises. Two (2) meetings were held during the financial year in review. During the year, the Nominating 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 Nominating 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 and Non-Executive Directors, the Nominating Committee also evaluated their ability to discharge responsibilities or functions as expected of Independent and Non-Executive Directors.

Directors' training

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

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

During the financial year under review, the Directors have pursued relevant courses and attended seminars to keep abreast with industry, regulatory and compliance issues, trends and best practices. Details of seminars and training courses attended by the Directors during the financial year are as follows

A. DIRECTORS (cont'd)

Directors' training cont'd)

Director	Nature of course
Mr Norman Ip Ka Cheung	• Officers'/directors' duties and obligations and insider trading on SGX - Understanding the Regulatory Environment in Singapore: What Every Director Ought to Know; • Practical guides for Corporate Actions • Getting It Right - As seen by A Regulator, Getting it Right - As seen by An Insider • Panel Discussion - The Rights and The Wrongs - The Way Ahead • International Tin Conference, Canada • Mines & Money Conference 2010 Hong Kong • Rehabilitation, Restoration and Transformation of Mining Land
Mr Choi Siew Hong *(retired on 11-05-2010)*	• Rehabilitation, Restoration and Transformation of Mining Land
Dato' Seri Dr Mohd Ajib Anuar	• International Tin Conference • Mines and Money Conference 2010, Hong Kong • Rehabilitation, Restoration and Transformation of Mining Land
En Razman Ariffin	• Symposium on Human Capital Development for the Mineral Resource Industry • Rehabilitation, Restoration and Transformation of Mining Land
Mr Yeo Eng Kwang	• Conference on 'The Outlook for Energy: A View to 2030'
Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong	• Audit Committee Essential Series – Module 3 Meeting Audit Committee responsibilities : Internal Controls and Fraud • Budget Seminar 2010 • SGX Listed Companies Development - Understanding the Regulatory Environment in Singapore : What Every Director Ought To Know • Islamic Finance News Roadshow, Singapore • Financial Reporting Standards : 2010 Annual Update • Deloitte Global Tax Planning Conference – Asia Pacific • Building Relationships and Leading Change
Mr Lim Sit Chen Lam Pak Ng *(appointed on 01-03-2010)*	• Mandatory Accreditation Programme ("MAP")
Mr Chew Kwee San *(appointed on 01-03-2010)*	• Mandatory Accreditation Programme ("MAP")
Mr Mark Christopher Greaves *(appointed on 01-11-2010)*	• The Renaissance Capital First Annual Global Emerging Markets Conference

Re-election

The Company's Articles of Association require all Directors of the Company to be subjected to retirement, and at least one third of the Board shall retire by rotation at each Annual General Meeting, 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 2010, comprised the following members:

Director		Meetings
Mr Norman Ip Ka Cheung	Chairman, Non-Independent and Non-Executive Director	2/2
Mr Choi Siew Hong	Independent and Non-Executive Director *(Retired from the Board and thus ceased to be a member of the Committee on 11-05-2010)*	2/2
Dato' Seri Dr Mohd Ajib Anuar	Executive Director	2/2
En Razman Ariffin	Independent and Non-Executive Director *(Appointed on 30-12-2010)*	0/0

The Remuneration Committee is responsible for recommending the remuneration framework and the remuneration packages of Executive Director and Senior Management staff to the Board, so as to ensure that rewards are linked to their performance and contributions to the Group's growth and profitability in order to align the interest of the Directors with those of Shareholders.

In deciding on an appropriate framework and the corresponding levels of remuneration, the Remuneration Committee considered views of consultants and evaluated comparative data from companies in similar industry. The Executive Director, as a member of the Remuneration Committee, did not participate in any way in determining his individual 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 Group 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 Directors' remuneration

The 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 2010 are as follows:

Category	Fees (RM)	Salaries and other emoluments (RM)
* Executive Director	30,000*	1,300,499.38
Non-Executive Directors	309,750	–

The number of Directors and their remuneration categorised within the respective ranges are as follows:

Range of remuneration	Executive Director	Non-Executive Directors
Above RM1 million	1	–
RM50,001 to RM100,000	–	3
RM50,000 and below	–	2

C. SHAREHOLDERS

The Company recognises the importance of being accountable to its investors and as such has maintained an active and constructive communication policy that enable the Board and Management to communicate effectively with investors, stakeholders and the public generally.

The primary channels of communication to the Company's stakeholders are the holding of general meetings, announcements to the Bursa Malaysia, 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 Bursa Malaysia.

In addition, the Company's website at www.msmelt.com contains vital information concerning the Group which is updated on a regular basis.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to Bursa Malaysia as well as the Chairman's statement and review of operations in the Annual Report.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements 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 operations 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 applied.

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

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

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

State of internal controls

The Board acknowledges its responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management.

The Statement on Internal Control furnished on pages 60 to 61 of this Annual Report provides an overview about the state of internal controls within the Group during the financial year ended 31 December 2010.

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 55 to 56 of this Annual Report.

A summary of activities of the Audit Committee during the financial year ended 31 December 2010, including the evaluation of the audit process, is set out in the Audit Committee Report on pages 57 to 59 of this Annual Report.

Corporate social responsibility

The Group is committed to sustainable development. Social responsibility towards human resource, local community, safety and health as well as environment is integral to the way in which the Group conducts its business. The Group's commitment to corporate social responsibility extends beyond corporate philanthropy as the Group actively seeks the participation of its employees in such programmes. Details of the activities pertaining to corporate social responsibility can be viewed under pages 45 to 48 of this Annual Report.

Compliance statement

The Group has complied throughout the financial year ended 31 December 2010, 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 dated 16 March 2011.

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 served as members of the Audit Committee (the "Committee") during the financial year ended 31 December 2010 and as at the date of this report are:

Composition of Audit Committee	
(i) En Razman Ariffin	Chairman, Independent Non-Executive Director *(Appointed as Chairman of the Committee on 16-06-2010)*
(ii) Mr Lim Sit Chen Lam Pak Ng	Independent Non-Executive Director *(Appointed on 16-06-2010)*
(iii) Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong	Non-Independent Non-Executive Director *(Appointed on 10-08-2010)*
(iv) Mr Choi Siew Hong	Independent Non-Executive Director *(Retired from the Board and ceased to be the Chairman of the Committee on 11-05-2010)*
(v) Mr Norman Ip Ka Cheung	Non-Independent Non-Executive Director *(Ceased to be a member of the Audit Committee on 10-08-2010)*

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 terms of reference set out on pages 55 to 56 of this Annual Report.

The Board regularly reviews and revises the terms of reference of the Committee to conform to regulatory requirements.

Meetings

The Committee convened five (5) meetings during the financial year ended 31 December 2010. The details of attendance of each member at the Audit Committee meetings are as follows:

Director	Held	Attended
(i) En Razman Ariffin	5	5
(ii) Mr Lim Sit Chen Lam Pak Ng *	2	2
(iii) Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong *	1	1
(iv) Mr Choi Siew Hong **	3	3
(v) Mr Norman Ip Ka Cheung **	4	4

* From the date of appointment to 31 December 2010.
** From 1 January 2010 to the date of retirement/ resignation.

The 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 Financial Officer, Group Chief Operating Officer, Smelting as well as other Senior Management of major operating subsidiaries also attended the meetings, where appropriate, upon invitation of the Committee.

Training and continuous engagement

All members of the Committee have attended relevant training seminars and programmes to enhance their competency in fulfilling their functions and duties more effectively, the details of training attended by each member are set out on page 52 of this Annual Report.

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

Summary of activities during the financial year under review

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

- Reviewed with the External Auditors:
  (i) Scope of work and audit plan for the financial year prior to the commencement of audit fieldwork;
  (ii) The audited financial statements of the Group prior to submission to the Board for consideration and approval;
  (iii) The management letter, including Management's response and the evaluation of the system of internal controls;

- Met with the external auditors twice (2) during the financial year without the presence of the Executive Board member and Senior Management, to discuss problems and reservations arising from the interim and final audits, if any, or any other matter the External Auditors may wish to discuss;

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

- Reviewed the independence, objectivity and effectiveness of the External Auditors and the services provided, including non-audit services. Non-audit fees totalling RM810,000 were incurred during the financial year in relation to the services rendered by the External Auditors in connection with the public offering and secondary listing of shares of Malaysia Smelting Corporation Berhad on the Singapore Exchange and for the review of Statement on Internal Control.

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

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

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

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

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

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

Internal Audit Function

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

Where considered appropriate, the in-house Internal Audit function would procure internal audit services from external consultants 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 the risk management, internal control and governance processes within the Group.

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

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

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

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

- Carried out an exercise of the Group risk compilation spanning the Group's operations in local 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 for the financial year ended 31 December 2010 was as below:

Cost category	RM'000	% of total cost
Payroll related	423.5	53%
Training	2	0%
Outsourced service provider	323	41%
Travelling and others	46	6%
Total	794.5	100%

Further details of the activities of the Internal Audit function are set out in the Statement on Internal Control on pages 60 to 61 of this Annual Report.

Date: 16 March 2011

Introduction

Paragraph 15.26(b) of the Main Market Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") 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 and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2010.

Board Responsibility

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

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

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, through its Audit Committee, regularly reviews the results of 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.

Risk Management Framework

The Board fully supports 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 continuously evaluates the systems in place to manage these risks.

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

- Identification of principal risks (present and potential) faced by operating units in the Group and Management's 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 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 is co-ordinated by Internal Audit function to revisit risk profiles of major business units, particularly in updating the key business risks and reviewing appropriateness of the mitigation action plans.

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 Group. 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 its impartiality, proficiency and due professional care by having its 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 its audit strategy and plan based on the risk profiles of the major business units of the Group. 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 pages 57 to 59 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 for 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;
- 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 continuously 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 maintaining a sound system of internal controls and believes that a balanced achievement of the Group's business objectives and operational efficiency can be attained. The Board is of the view that there were no material losses incurred during the financial year ended 31 December 2010 as a result of 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 Malaysia, the External Auditors have reviewed this statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2010 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 dated 16 March 2011.

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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 2010.

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, associates and jointly controlled entity are set out in Notes 18 and 19 to the financial statements respectively.

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

Results

	Group RM'000	Company RM'000
Loss net of tax	(100,231)	(112,760)
Loss attributable to:		
Owners of the parent	(80,249)	(112,760)
Minority interests	(19,982)	–
	(100,231)	(112,760)

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 the exceptional (losses)/gains stated in the income statement as disclosed in Note 11 to the financial statements.

Dividends

The Company paid a final dividend of 3 sen less 25% tax per share totalling RM1.687 million net on 28 May 2010 for the financial year ended 31 December 2009.

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 RM2.25 million net for the financial year ended 31 December 2010.

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 2011.

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)
*	En. Razman Ariffin	
	Mr. Yeo Eng Kwang	
*	Madam Ong Lee Keang, Maureen @ Mrs. Maureen Leong	
	Mr. Chew Kwee San	(appointed on 1 March 2010)
*	Mr. Lim Sit Chen Lam Pak Ng	(appointed on 1 March 2010)
	Mr. Mark Christopher Greaves	(appointed on 1 November 2010)
	Mr. Choi Siew Hong	(retired on 11 May 2010)

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

In accordance with Article 101 of the Articles of Association of the Company, Encik Razman Ariffin, Mr. Yeo Eng Kwang and Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong retire by rotation at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

In accordance with Article 106 of the Articles of Association of the Company, Mr. Mark Christopher Greaves retires at the forthcoming Annual General Meeting and, being eligible offers himself for re-election.

Directors' Benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company as disclosed in Note 4 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than as disclosed in Note 37 to the financial statements.

Directors' Interests

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

	← Number of ordinary shares of SGD1 each			→
	1 January 2010	Bought	Sold	31 December 2010
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 2010	Bought	Sold	31 December 2010
The Company				
Direct interest				
Mr. Norman Ip Ka Cheung	250,000	–	–	250,000
Dato' Seri Dr Mohd. Ajib Anuar	800,000	–	–	800,000
En. Razman Ariffin	67,000	–	–	67,000

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

Other Statutory Information

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

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

(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.

Other Statutory Information (cont'd)

(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 36 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 41 to the financial statements.

Subsequent Events

Details of subsequent events are disclosed in Note 42 to the financial statements.

Auditors

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

Signed on behalf of the board in accordance with a resolution of the directors dated 16 March 2011.

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 70 to 163 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 position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 45 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the board in accordance with a resolution of the directors dated 16 March 2011.

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 70 to 164 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 16 March 2011.

Yap Fook Ping

Before me,

Commissioner for Oaths

Penang

Report on the financial statements

We have audited the financial statements of Malaysia Smelting Corporation Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 70 to 163.

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 2010 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 18 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

The supplementary information set out in Note 45 on page 164 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Dated: 16 March 2011

Income Statements
For the Financial Year Ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 (restated)	Company 2010 RM'000	Company 2009 RM'000
Revenue					
Tin mining and smelting revenue		**2,738,834**	1,851,720	**2,726,985**	1,825,205
Other items of income					
Dividend income	5	**–**	–	**5,473**	42,707
Interest income	6	**6,374**	7,286	**9,171**	12,235
Other income/(loss)	7	**17,977**	9,281	**8,033**	916
Expenses					
Employee benefits expense	8	**(74,890)**	(60,758)	**(23,913)**	(16,247)
Depreciation expense	15	**(16,466)**	(13,460)	**(1,092)**	(1,065)
Amortisation expense	16, 17, 21	**(13,192)**	(12,584)	**–**	–
Costs of tin mining and smelting		**(2,513,695)**	(1,662,353)	**(2,649,046)**	(1,753,960)
Finance costs	9	**(22,366)**	(23,189)	**(18,564)**	(14,909)
Other expenses	10	**(50,943)**	(51,328)	**(17,612)**	(15,513)
Total expenses		**(2,691,552)**	(1,823,672)	**(2,710,227)**	(1,801,694)
Share of results of associates and jointly controlled entity		**4,382**	221	**–**	–
Profit before exceptional (losses)/ gains		**76,015**	44,836	**39,435**	79,369
Exceptional (losses)/gains, net	11	**(154,478)**	65,004	**(135,457)**	–
(Loss)/Profit before tax	4	**(78,463)**	109,840	**(96,022)**	79,369
Income tax expense	12	**(21,768)**	(41,165)	**(16,738)**	(16,361)
(Loss)/Profit net of tax		**(100,231)**	68,675	**(112,760)**	63,008
Attributable to:					
Owners of the parent		**(80,249)**	72,358	**(112,760)**	63,008
Minority interests		**(19,982)**	(3,683)	**–**	–
		(100,231)	68,675	**(112,760)**	63,008
(Loss)/Earnings per share attributable to owners of the parent (sen per share)					
- Basic and diluted	13	**(107.0)**	96.5	**–**	–

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

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2010

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		(restated)		
(Loss)/Profit net of tax	**(100,231)**	68,675	**(112,760)**	63,008
Other comprehensive income:				
Foreign currency translation	**(29,670)**	(1,423)	**–**	–
Cumulative fair value loss on available-for-sale investment securities transferred to profit or loss	**354**	–	**354**	–
Net fair value changes on cash flow hedges	**8,340**	–	**2,433**	–
Revaluation surplus on property, plant and equipment, net	**3,759**	–	**682**	–
Other comprehensive income for the year, net of tax	**(17,217)**	(1,423)	**3,469**	–
Total comprehensive income for the year	**(117,448)**	67,252	**(109,291)**	63,008
Total comprehensive income attributable to:				
Owners of the parent	**(91,753)**	71,348	**(109,291)**	63,008
Minority interests	**(25,695)**	(4,096)	**–**	–
	(117,448)	67,252	**(109,291)**	63,008

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

Statements of Financial Position

As at 31 December 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Assets			(restated)		
Non-current assets					
Property, plant and equipment	15	**94,523**	88,165	**13,046**	10,788
Prepaid land lease payments	16	**1,174**	1,312	**–**	–
Base inventory		**3,000**	3,000	**3,000**	3,000
Intangible assets	17	**1,547**	7,849	**–**	–
Investment in subsidiaries	18	**–**	–	**88,725**	109,737
Investment in associates and jointly controlled entity	19	**148,539**	278,922	**72,890**	243,055
Investment securities	20	**34,367**	165	**34,367**	165
Other non-current assets	21	**84,531**	154,343	**–**	–
Other receivables	24	**2,607**	2,648	**2,607**	2,648
Deferred tax assets	33	**11,083**	12,572	**1,256**	770
		381,371	548,976	**215,891**	370,163
Current assets					
Inventories	23	**404,320**	380,550	**283,608**	231,290
Trade and other receivables	24	**258,768**	199,325	**252,045**	255,449
Other current assets	25	**7,144**	6,275	**3,000**	1,523
Tax recoverable		**22,162**	31,141	**–**	7,554
Derivative financial instruments	34	**1,162**	–	**1,162**	–
Cash, bank balances and deposits	26	**119,244**	65,285	**78,378**	30,975
		812,800	682,576	**618,193**	526,791
Assets of disposal group classified as held for sale	22	**25,476**	–	**25,087**	–
		838,276	682,576	**643,280**	526,791
Total assets		**1,219,647**	1,231,552	**859,171**	896,954
Equity and liabilities					
Current liabilities					
Provisions	27	**6,088**	7,308	**–**	–
Borrowings	28	**618,648**	509,520	**569,973**	491,515
Trade and other payables	29	**146,175**	77,805	**84,484**	60,680
Current tax payable		**25,870**	19,955	**3,055**	2,861
Derivative financial instruments	34	**1**	–	**1**	–
		796,782	614,588	**657,513**	555,056
Liabilities directly associated with disposal group classified as held for sale	22	**11,309**	–	**–**	–
		808,091	614,588	**657,513**	555,056
Net current assets/(liabilities)		**30,185**	67,988	**(14,233)**	(28,265)

Statements of Financial Position (cont'd)
As at 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 (restated)	Company 2010 RM'000	Company 2009 RM'000
Equity and liabilities (cont'd)					
Non-current liabilities					
Provisions	27	**20,067**	21,000	**–**	–
Deferred tax liabilities	33	**297**	20,434	**–**	–
Borrowings	28	**82,392**	138,155	**42,988**	71,280
Derivative financial instruments	34	**1,375**	–	**1,375**	–
		104,131	179,589	**44,363**	71,280
Total liabilities		**912,222**	794,177	**701,876**	626,336
Net assets		**307,425**	437,375	**157,295**	270,618
Equity attributable to owners of the parent					
Share capital	30	**75,000**	75,000	**75,000**	75,000
Other reserves	31	**(6,883)**	8,457	**5,820**	4,426
Retained earnings	32	**199,940**	284,390	**76,475**	191,192
Reserve of disposal group classified as held for sale	22	**(3,256)**	–	**–**	–
		264,801	367,847	**157,295**	270,618
Minority interests		**42,624**	69,528	**–**	–
Total equity		**307,425**	437,375	**157,295**	270,618
Total equity and liabilities		**1,219,647**	1,231,552	**859,171**	896,954

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

	Note	Total equity RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Available-for-sale ("AFS") reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Minority interests RM'000
			Attributable to owners of the parent								
				Non-distributable						Distributable	
Group											
At 1 January 2009		340,532	296,499	75,000	1,706	15,105	(7,344)	–	–	212,032	44,033
Total comprehensive income		67,252	71,348	–	–	–	(1,010)	–	–	72,358	(4,096)
Minority interest arising from acquisition of subsidiaries		29,591	–	–	–	–	–	–	–	–	29,591
At 31 December 2009 (restated)		437,375	367,847	75,000	1,706	15,105	(8,354)	–	–	284,390	69,528

				Attributable to owners of the parent								
				Non-distributable						Distributable		
	Note	Total equity RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	AFS reserve RM'000	Hedging reserve RM'000	Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Minority interests RM'000
Group (cont'd)												
At 1 January 2010 (as previously stated)		372,371	302,843	75,000	1,706	15,105	(8,354)	–	–	–	219,386	69,528
Prior year adjustment	43	65,004	65,004	–	–	–	–	–	–	–	65,004	–
At 1 January 2010 (as restated)		437,375	367,847	75,000	1,706	15,105	(8,354)	–	–	–	284,390	69,528
Effects of adopting FRS 139	2.2	(10,815)	(9,606)	–	–	–	–	(354)	(6,738)	–	(2,514)	(1,209)
		426,560	358,241	75,000	1,706	15,105	(8,354)	(354)	(6,738)	–	281,876	68,319
Total comprehensive income		(117,448)	(91,753)	–	–	3,661	(22,969)	354	7,450	–	(80,249)	(25,695)
Dividend on ordinary shares	14	(1,687)	(1,687)	–	–	–	–	–	–	–	(1,687)	–
Reserve attributable to disposal group classified as held for sale	22	–	–	–	–	–	3,256	–	–	(3,256)	–	–
At 31 December 2010		307,425	264,801	75,000	1,706	18,766	(28,067)	–	712	(3,256)	199,940	42,624

	Note	Total equity RM'000	Share capital RM'000	Revaluation reserve RM'000	AFS reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000
		← Non-distributable				→	Distributable
Company							
At 1 January 2009		207,610	75,000	4,426	–	–	128,184
Total comprehensive income		63,008	–	–	–	–	63,008
At 31 December 2009		270,618	75,000	4,426	–	–	191,192
At 1 January 2010		**270,618**	**75,000**	**4,426**	**–**	**–**	**191,192**
Effects of adopting FRS 139	2.2	**(2,345)**	**–**	**–**	**(354)**	**(1,721)**	**(270)**
		268,273	**75,000**	**4,426**	**(354)**	**(1,721)**	**190,922**
Total comprehensive income		**(109,291)**	**–**	**682**	**354**	**2,433**	**(112,760)**
Dividend on ordinary shares	14	**(1,687)**	**–**	**–**	**–**	**–**	**(1,687)**
At 31 December 2010		**157,295**	**75,000**	**5,108**	**–**	**712**	**76,475**

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

Statements of Cash Flows

For the financial year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Operating activities					
(Loss)/Profit before tax		**(78,463)**	109,840	**(96,022)**	79,369
Adjustments for:					
Amortisation of intangible assets	17	**558**	2,938	**–**	–
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	21	**12,563**	9,557	**–**	–
Amortisation of land lease payments	16	**71**	89	**–**	–
Bad debts written-off	10	**37**	846	**37**	846
Decrease in impairment of investment in subsidiaries	11	**–**	–	**(135)**	–
Deferred exploration and evaluation expenditure written-off	10	**2,654**	1,469	**–**	–
Depreciation	15	**16,466**	13,460	**1,092**	1,065
Dividend income received from an associate	5	**–**	–	**(28)**	(28)
Dividend income received from subsidiaries	5	**–**	–	**(5,445)**	(42,679)
Fair value changes in ineffective portion of derivatives designated as hedging instruments in cash flow hedge	7	**(3,751)**	–	**(212)**	–
Fair value changes in interest rate swap	7	**546**	–	**546**	–
Gain on bargain purchase of a jointly controlled entity	11	**–**	(65,004)	**–**	–
Gain on deemed disposal of a subsidiary	7	**–**	(3,883)	**–**	–
Gain on disposal of property, plant and equipment	7	**(20)**	(5,434)	**–**	(25)
Impairment of goodwill	17	**5,188**	–	**–**	–
Impairment of property, plant and equipment	15	**2,013**	319	**–**	–
Impairment of receivables	10	**2,854**	1,363	**5,932**	1,363
Impairment on mining assets	21	**56,357**	–	**–**	–
Increase/(Decrease) in impairment of investment in associates	10,11	**96,638**	(258)	**135,414**	177
Increase/(Decrease) in impairment of investment securities	10	**472**	(54)	**472**	(54)
Interest expense	9	**22,234**	23,054	**18,555**	14,891
Interest income	6	**(6,374)**	(7,286)	**(9,171)**	(12,235)
Net (gain)/loss on disposal of investment in associates		**(3,705)**	–	**178**	–
Provision for mine rehabilitation and severance benefits	27	**14,399**	5,884	**–**	–
Revaluation deficit on property	10	**265**	–	**–**	–
Reversal of impairment of receivables	7	**(104)**	(126)	**(104)**	(126)
Share of results of associates and jointly controlled entity		**(4,382)**	(221)	**–**	–
Unrealised (gain)/loss on exchange		**(3,200)**	5,253	**4,888**	5,834
Unwinding of discount on provision	27	**123**	117	**–**	–
Write back of tin slag inventory	4	**(7,860)**	(6,915)	**–**	–
Operating cash flows before changes in working capital		**125,579**	85,008	**55,997**	48,398
Increase in inventories		**(13,494)**	(109,127)	**(52,316)**	(150,174)
(Increase)/Decrease in receivables		**(80,431)**	35,022	**(17,909)**	40,144
Increase in amount due from subsidiaries		**–**	–	**(8,283)**	(15,776)
Increase in amount due from associates		**(2,750)**	(18,055)	**(2,749)**	(18,055)
Decrease in amount due from related companies		**–**	171	**–**	574
Increase in payables		**74,922**	41,559	**25,249**	4,819
Increase in amount due to holding company		**109**	–	**109**	–
Decrease in amount due to a subsidiary		**–**	–	**(458)**	(21,234)
Decrease in amount due to an associate		**(534)**	(16)	**(500)**	(50)
(Decrease)/Increase in amount due to a related company		**(1,396)**	1,617	**–**	–
Cash generated from/(used in) operations (carried forward)		**102,005**	36,179	**(860)**	(111,354)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash generated from/(used in) operations (brought forward)		**102,005**	36,179	**(860)**	(111,354)
Income tax paid		**(18,637)**	(23,244)	**(6,917)**	(3,615)
Interest paid		**(23,693)**	(27,042)	**(19,886)**	(18,136)
Severance benefits paid	27	**(3,430)**	(635)	**–**	–
Net cash generated from/(used in) operating activities		**56,245**	(14,742)	**(27,663)**	(133,105)
Investing activities					
Acquisition of subsidiaries	18	**965**	1,891	**–**	–
Deemed disposal of a subsidiary		**–**	(688)	**–**	–
Interest received		**6,250**	7,305	**5,625**	7,050
Net dividend received from an associate		**21**	21	**21**	21
Net dividend received from subsidiaries		**–**	–	**4,084**	39,956
Payment for an insurance scheme		**(10,722)**	(7,771)	**–**	–
Payment for deferred mine development and deferred exploration and evaluation expenditure	21	**(37,397)**	(31,604)	**–**	–
Payment for prepaid land lease payments	16	**–**	(112)	**–**	–
Proceeds from disposal of property, plant and equipment		**137**	306	**–**	25
Proceeds from disposal of shares in an associate		**16,988**	–	**16,988**	–
Purchase of property, plant and equipment		**(25,088)**	(4,299)	**(2,448)**	(1,314)
Purchase of shares in associates		**(3,529)**	(732)	**(3,529)**	(732)
Net cash (used in)/generated from investing activities		**(52,375)**	(35,683)	**20,741**	45,006
Financing activities					
Dividends paid on ordinary shares		**(1,687)**	–	**(1,687)**	–
Drawdown of short term trade financing and other borrowings		**94,916**	55,445	**67,101**	70,166
Drawdown of term loan		**–**	8,683	**–**	8,683
Repayment of term loans		**(26,084)**	(21,073)	**(9,859)**	(8,212)
Net cash generated from financing activities		**67,145**	43,055	**55,555**	70,637
Net increase/(decrease) in cash and cash equivalents		**71,015**	(7,370)	**48,633**	(17,462)
Effect of changes in foreign exchange rates		**(16,531)**	81	**(1,230)**	108
Cash and cash equivalents as at 1 January		**65,285**	72,574	**30,975**	48,329
Cash and cash equivalents as at 31 December	26	**119,769**	65,285	**78,378**	30,975

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

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market (formerly known as Main Board) of the Bursa Malaysia Securities Berhad and Singapore Exchange. 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 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, associates and jointly controlled entity are set out in Notes 18 and 19 respectively.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

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

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

2.2 Changes in accounting policies

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

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements* (Revised)
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *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*
- Improvements to FRS issued in 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*

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

2.2 Changes in accounting policies (cont'd)

FRS 4 *Insurance Contracts and* TR *i*-3 *Presentation of Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group or the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 *Financial Instruments: Disclosures*

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. An entity is encouraged but not required to present any of the comparative disclosures required by FRS 7. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 *Operating Segments*

FRS 8, which replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 40 to the financial statements.

FRS 101 *Presentation of Financial Statements* (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

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 classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 38(g)).

The revised FRS 101 was adopted retrospectively by the Group and the Company. No additional statements of financial position as at 1 January 2009, which is at the beginning of the earliest comparative period, was presented as the prior year adjustment as disclosed in Note 43 does not have any change on the financial position as at 1 January 2009.

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

2.2 Changes in accounting policies (cont'd)

'Improvements to FRSs (2009)' Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee.

There is no impact on the financial position of the Group as all leases of land of the Group continue to be classified as operating lease.

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Equity instruments

Prior to 1 January 2010, the Group and the Company classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments are designated at 1 January 2010 as available-for-sale ("AFS") financial assets and accordingly are stated at their fair values as at that date amounting to RM165,000. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of AFS reserves as at 1 January 2010.

- Derivatives

Prior to 1 January 2010, all derivative financial instruments were recognised in the financial statements only upon settlement. Hence, upon the adoption of FRS 139, all derivatives held by the Group and the Company as at 1 January 2010 are recognised at their fair values totalling RM804,000 of financial assets and RM15,685,000 of financial liabilities. The Group and the Company have previously adopted hedge accounting for its internal management reporting purposes, in accordance with the accounting policies of its holding company, The Straits Trading Company Limited. The accounting policies applicable to these derivative financial instruments are stated in Note 2.20(a) and 2.22.

- Financial guarantee contracts

Prior to 1 January 2010, all financials gurantees including a standby letter of credit issued as guarantee for bank facilities utilised by a subsidiary were previously disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010. No computation was performed on the fair value of the financial guarantees as the management has assessed qualitatively and concluded that the fair value is not material to the financial statements.

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

2.2 Changes in accounting policies (cont'd)

FRS 139 *Financial Instruments: Recognition and Measurement (cont'd)*

The following are effects arising from the above changes in accounting policies:

	Note	Increase /(decrease) As at 31 December 2010 RM'000	Increase /(decrease) As at 1 January 2010 RM'000
Statements of financial position			
Group			
Derivative financial assets	34	**1,162**	**804**
Derivative financial liabilities	34	**1,376**	**15,685**
Deferred tax assets	33	**344**	**4,267**
Deferred tax liabilities	33	**291**	**201**
Retained earnings		**(873)**	**(2,514)**
Other reserves – hedging reserve	31	**712**	**(6,738)**
Other reserves – AFS reserve	31	**–**	**(354)**
Minority interests		**–**	**(1,209)**
Company			
Derivative financial assets	34	**1,162**	**804**
Derivative financial liabilities	34	**1,376**	**15,685**
Deferred tax assets, net		**53**	**782**
Receivables		**–**	**11,754**
Retained earnings		**(873)**	**(270)**
Other reserves – hedging reserve	31	**712**	**(1,721)**
Other reserves – AFS reserve	31	**–**	**(354)**

	Increase/(decrease) Group 2010 RM'000	Increase/(decrease) Company 2010 RM'000
Income statements		
Other income/(loss)	**3,205**	**(334)**
Profit before tax	**3,205**	**(334)**
Income tax expense	**(892)**	**83**
Profit net of tax	**2,313**	**(251)**
Attributable to:		
Owners of the parent	**1,994**	**(251)**
Minotity interests	**319**	**–**
Statements of comprehensive income		
Net fair value changes on cash flow hedges	**8,340**	**2,433**
Cumulative fair value loss on available-for-sale investment securities transferred to profit or loss	**354**	**354**
Other comprehensive income for the year, net of tax	**8,694**	**2,787**
Total comprehensive income for the year, net of tax	**11,007**	**2,536**
Attributable to:		
Owners of the parent	**9,798**	**2,536**
Minority interests	**1,209**	**–**

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

2.2 Changes in accounting policies (cont'd)

FRS 139 *Financial Instruments: Recognition and Measurement (cont'd)*

	Increase/ (decrease) Group 2010 Sen per share
Earnings per share:	
Basic and diluted	**2.7**

2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 132: *Classification of Rights Issues*	1 March 2010
FRS 1 *First-time Adoption of Financial Reporting Standards*	1 July 2010
FRS 3 *Business Combinations (Revised)*	1 July 2010
Amendments to FRS 2 *Share-based Payment*	1 July 2010
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2010
Amendments to FRS 127 *Consolidated and Separate Financial Statements*	1 July 2010
Amendments to FRS 138 *Intangible Assets*	1 July 2010
Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 July 2010
IC Interpretation 12 *Service Concession Arrangements*	1 July 2010
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	1 July 2010
IC Interpretation 17 *Distributions of Non-cash Assets to Owners*	1 July 2010
Amendment to IC Interpretation 15	30 August 2010
Technical Release 3 Guidance on Disclosures of Transition to IFRSs	31 December 2010
Additional Exemption for First-time Adopters (Amendments to FRS 1)	1 January 2011
Amendments to FRS 1 [Improvements to FRSs (2010)]	1 January 2011
Group Cash-settled Share-based Payment Transactions *(Amendments to FRS 2)*	1 January 2011
Amendments to FRS 3 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 7: *Improving Disclosures about Financial Instruments*	1 January 2011
Amendments to FRS 7 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 101 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 121 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 128 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 131 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 132 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 134 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 139 [Improvements to FRSs (2010)]	1 January 2011
Amendments to IC Interpretation 13 [Improvements to FRSs (2010)]	
Amendments to FRS 1: *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*	1 January 2011
IC Interpretation 4 Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
FRS 124 Related Party Disclosures	1 January 2012

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

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

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the amendments to FRS 127 are described below.

<u>Revised FRS 3 *Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements*</u>

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 *Statement of Cash Flows*, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interests in Joint Ventures*. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

2.4 Basis of consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination 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, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.9(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests, which result in gains and losses for the Group, are recorded in profit or loss. The difference between any consideration paid to minority interests for purchases of additional equity interest in a subsidiary and the incremental share of the carrying value of the net assets of the subsidiary is recognised as goodwill.

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

2.6 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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.

The Group's investments in associates are accounted for using the equity method based on audited or management financial statements of the associates. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. 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 for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

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 profit or loss.

2.8 Jointly controlled entity

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.7.

The financial statements of the jointly controlled entities are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, its investment in jointly controlled entities is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

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

2.9 Intangible assets

a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation 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 in accordance with the accounting policy set out in Note 2.23.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

b) Other intangible assets

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(i) 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 2.13.

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 and resources. The amortisation period and the amortisation method are reviewed at least at each financial year end.

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

2.9 Intangible assets (cont'd)

b) Other intangible assets (cont'd)

(ii) Club membership

Club membership was acquired separately and is amortised on a straight-line basis over its finite useful life of 15 years.

(iii) 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 2.13.

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 and resources.

Accumulated costs in relation to an abandoned area are written off in full to the profit or loss 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 and resources.

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 profit or loss.

(iv) 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 2.13.

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 and resources 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 recognised as an expense in profit or loss.

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 and resources.

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

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

2.10 Mine environmental expenditure

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

Significant 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.

2.11 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. All other repairs and maintenance costs are recognised in profit or loss 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 with sufficient regularity to ensure that the carrying amount of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve. 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 subsidiaries, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves and resources over the estimated useful lives of the assets. Changes in estimated ore reserves and resources and the useful lives of plant and equipment are accounted for on a prospective basis from the beginning of the year in which the change arises. 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 profit or loss.

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

2.12 Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortization and accumulated impairment losses. The prepaid land lease payments are amortised over their lease terms.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

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

2.14 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

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

2.14 Financial assets (cont'd)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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

(b) Available-for-sale ("AFS") financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.16 Inventories

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

Cost of trading inventory of refined tin metal is determined on a first-in first-out basis. Cost of inventories of tin-in-concentrates and tin-in-process which have matching sales contract for refined tin metal from tin smelting operations, are stated at the value of such contract less 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.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.18 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.18 Leases (cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.27(e).

2.19 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 reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. 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.

2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

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

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

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

2.21 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.22 Hedge accounting

The Group uses derivatives to manage its exposure to foreign market risk, interest rate risk and liquidity risk, including forward currency contracts, commodity forward contracts and interest rate swaps. The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationship are classified as:

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

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

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

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

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

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

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

Fair value hedge accounting is discontinued if the hedging instrument expires or sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

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

2.22 Hedge accounting (cont'd)

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are removed and included in the initial carrying amount of the non-financial asset or liability. The Group has elected not to apply basis adjustments to hedges of forecast transactions that result in the recognition of a non-financial asset or a non-financial liability.

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

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments as well as forward sales contracts for its exposure to volatility in the tin prices. Refer to Note 34 for more details.

(c) Hedges of net investments in foreign operations

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

(d) Derivatives that are not designated or do not qualify for hedge accounting

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

2.23 Foreign currencies

(a) Functional and presentation currency

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

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

2.23 Foreign currencies (cont'd)

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss 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.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations 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 reporting date.

2.24 Non-current assets and disposal groups held for sale

A component of the Group and the Company is classified as non-current assets and disposal groups held for sale when the criteria to be classified as held for sale have been met. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.25 Base inventory

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

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

2.26 Share-based payment transactions

A subsidiary in Australia, which was acquired in 2009, 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 profit or loss 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 reporting 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.

2.27 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. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

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

(b) Interest income

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

(c) Dividend income

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

(d) Tin warrant and other service charges

Revenue is recognised upon performance of services.

(e) Warehouse rent

Revenue is recognised on an accrual basis.

2.28 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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

2.29 Income tax

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

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

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

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

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

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

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

2.30 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

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 profit or loss 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.

(c) Severance benefits

The subsidiaries in Indonesia operate 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 statement of financial position 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.

(d) 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.

2.31 Segment reporting

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

2.32 Share capital and share issuance expenses

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

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

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

2.33 Contingencies

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

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

3. Significant accounting judgments and estimates

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

3.1 Judgements made in applying accounting policies

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

(a) Impairment of investment securities

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group and the Company evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. During the year, the Group and the Company impaired quoted equity instruments with "significant" decline in fair value greater than 30% , and "prolonged" period as greater than 12 months or more.

For the financial year ended 31 December 2010, the amount of impairment loss recognised in profit or loss for available-for-sale financial assets was RM472,000 (2009: nil).

(b) Non-current assets and disposal group held for sale

At 31 December 2010, the net assets in Australia Oriental Minerals NL ("AOM"), Asiatic Coal Private Limited ("ACPL") and its subsidiary, PT Asiatic Coal Nusantara are classified as disposal group held for sale. The Board considered the subsidiaries met the criteria to be classified as held for sale at that date for the following reasons:

– AOM, ACPL and PT Asiatic Coal Nusantara are available for immediate sale and can be sold to a potential buyer in its current condition.

– The Board had a plan to sell AOM, ACPL and PT Asiatic Coal Nusantara and had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers had been identified.

– The Board expects negotiations to be finalised and the sale to be completed within twelve months from 31 December 2010.

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Depreciation of plant and machinery

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

In the tin mining subsidiaries, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves and resources over the estimated useful lives of the assets. Changes in estimated economically recoverable ore reserves and resources and useful lives of plant and equipment are accounted for on a prospective basis from the beginning of the year in which the changes arise. 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 the reporting date for property, plant and equipment is disclosed in Note 15.

(b) 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 reporting date for mining rights is disclosed in Note 17 and that for mining assets, deferred mine development expenditure and deferred exploration and evaluation expenditure in Note 21.

(c) Impairment loss on investment in subsidiaries and associates and jointly controlled entity

The Group has subsidiaries and associates and jointly controlled entity 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 reporting date for investment in subsidiaries and associates and jointly controlled entity is disclosed in Note 18 and 19.

(d) 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 financial year end was RM1,204,000 (2009: RM6,116,000) and it is classified as assets of disposal group classified as held for sale. Further details are disclosed in Note 17 and 22.

(e) 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 reporting date is disclosed in Note 27.

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(f) 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.

(g) 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. 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 the reporting date is disclosed in Note 23.

(h) 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.

(i) 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.

(j) 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.

(k) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 24. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's allowance for impairment will increase by RM818,000 (2009: nil).

4. (Loss)/Profit before tax

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging:				
Auditors' remuneration:				
- statutory audits	**892**	812	**268**	228
- underprovision in prior years	**70**	67	**–**	55
Amortisation of prepaid land lease payments (Note 16)	**71**	89	**–**	–
Amortisation of mining rights (Note 17)	**539**	2,938	**–**	–
Amortisation of corporate club membership (Note 17)	**19**	–	**–**	–
Amortisation of deferred mine development and deferred exploration and evaluation expenditure (Note 21)	**12,563**	9,557	**–**	–
Directors' remuneration (Note 37(b)):				
- fees	**1,131**	883	**450**	400
- benefits-in-kind	**93**	26	**93**	26
- salaries and emoluments	**1,269**	52	**1,207**	–
Hire of equipment and vehicles	**146**	60	**146**	37
Provision for mine rehabilitation (Note 27)	**5,855**	1,261	**–**	–
Provision for severance benefits (Note 27)	**8,544**	4,623	**–**	–
Rental of land and buildings	**1,155**	828	**1,934**	1,932
Secretarial fees payable to a director of a foreign subsidiary	**28**	30	**–**	–
and crediting:				
Reversal of write down of tin slag inventory no longer required	**7,860**	6,915	**–**	–

5. Dividend Income

	Company	
	2010	**2009**
	RM'000	**RM'000**
Dividend income from:		
Investment in subsidiaries		
– Unquoted in Malaysia	**5,445**	10,890
– Unquoted outside Malaysia	**–**	31,789
Investment in associates		
– Unquoted in Malaysia	**28**	28
	5,473	42,707

6. Interest income

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
– Associates	**108**	789	**108**	789
– Subsidiaries	**–**	–	**3,426**	5,192
– Deposits	**904**	525	**275**	282
– Tin sales	**5,362**	5,972	**5,362**	5,972
	6,374	7,286	**9,171**	12,235

7. Other income/(loss)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Reversal of impairment of receivables (Note 24)	**104**	126	**104**	126
Other operating income	**8,533**	1,556	**2,765**	689
Gain on disposal of property, plant and equipment	**20**	5,434	**–**	25
Gain on deemed disposal of a subsidiary	**–**	3,883	**–**	–
Net foreign exchange gain/(loss)	**6,115**	(1,718)	**5,498**	76
Fair value changes in financial assets:				
– Interest rate swap	**(546)**	–	**(546)**	–
– Ineffective portion of derivatives designated as hedging instruments in cash flow hedge	**3,751**	–	**212**	–
	17,977	9,281	**8,033**	916

8. Employee benefits expense

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	**60,015**	50,553	**19,958**	13,718
Social security contribution	**275**	241	**146**	126
Contribution to defined contribution plan	**4,206**	3,433	**2,408**	1,546
Severance benefits (Note 27)	**8,544**	4,623	**–**	–
Other benefits	**1,850**	1,908	**1,401**	857
	74,890	60,758	**23,913**	16,247

The employee benefits expense includes directors' salaries and emoluments as disclosed in Note 4.

9. Finance costs

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses on bank borrowings	**22,234**	23,054	**18,555**	14,891
Commitment fees	**9**	18	**9**	18
Unwinding of discount on provisions (Note 27)	**123**	117	**–**	–
	22,366	23,189	**18,564**	14,909

10. Other expenses

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Marketing and distribution expenses	**19,187**	18,648	**1,354**	1,084
Administrative expenses	**20,743**	22,955	**7,099**	6,057
Deferred exploration and evaluation expenditure written-off (Note 21)	**2,654**	1,469	**–**	–
Share of joint operation loss	**2,718**	6,040	**2,718**	6,040
Impairment of receivables (Note 24)	**2,854**	1,363	**5,932**	1,363
Bad debts written off	**37**	846	**37**	846
Impairment/(Reversal of impairment) of investment securities	**472**	(54)	**472**	(54)
Impairment of property, plant and equipment (Note 15)	**2,013**	319	**–**	–
Impairment/(Reversal of impairment) of investment in associates, net	**–**	(258)	**–**	177
Revaluation deficit on property	**265**	–	**–**	–
	50,943	51,328	**17,612**	15,513

11. Exceptional losses/(gains), net

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000 (restated)	RM'000	RM'000
Impairment of investment in associates, net	**96,638**	–	**135,414**	–
Reversal of impairment of investment in subsidiaries	**–**	–	**(135)**	–
Impairment of goodwill (Note 17)	**5,188**	–	**–**	–
Impairment on mining assets (Note 21)	**56,357**	–	**–**	–
Loss on disposal of an associate	**17,351**	–	**17,351**	–
Gain on disposal of an associate	**(21,056)**	–	**(17,173)**	–
Gain on bargain purchase of a jointly controlled entity (Note 19)	**–**	(65,004)	**–**	–
	154,478	(65,004)	**135,457**	–

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Income statement				
Current income tax:				
Malaysian income tax	**22,962**	12,693	**16,188**	10,819
Foreign tax	**11,483**	4,412	**–**	–
	34,445	17,105	**16,188**	10,819
(Over)/Under provision in prior years:				
Malaysian income tax	**(96)**	(397)	**(155)**	–
Foreign tax	**–**	18,300	**–**	–
	34,349	35,008	**16,033**	10,819
Foreign witholding tax	**1,442**	1,698	**1,442**	1,698
	35,791	36,706	**17,475**	12,517
Deferred tax (Note 33):				
Relating to origination and reversal of temporary differences	**(13,917)**	4,259	**(775)**	2,742
(Over)/Under provision in prior years	**(106)**	200	**38**	1,102
	(14,023)	4,459	**(737)**	3,844
Income tax expense recognised in profit or loss	**21,768**	41,165	**16,738**	16,361

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deferred income tax related to other comprehensive income:				
Net surplus on revaluation of freehold land and buildings	**559**	–	**221**	–
Net fair value changes on cash flow hedges	**3,120**	–	**812**	–
	3,679	–	**1,033**	–

Domestic current income tax is calculated at the statutory tax rate of 25% of the estimated assessable profit for the year.

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

	2010	2009
Australia	**30%**	30%
Indonesia	**25% and 30%**	28% and 30%
Singapore	**17%**	18%

12. Income tax expense (cont'd)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000 (restated)**	**RM'000**	**RM'000**
(Loss)/Profit before tax	**(78,463)**	109,840	**(96,022)**	79,369
Taxation at Malaysian statutory tax rate of 25%	**(19,616)**	27,460	**(24,006)**	19,842
Different tax rates in other countries	**435**	(781)	**–**	–
Income not subject to tax	**(5,828)**	(26,161)	**(5,096)**	(9,910)
Expenses not deductible for tax purpose	**45,537**	20,846	**44,515**	3,629
(Over)/Under provision of deferred tax in prior years	**(106)**	200	**38**	1,102
(Over)/Under provision of tax expense in prior years	**(96)**	17,903	**(155)**	–
Foreign witholding tax	**1,442**	1,698	**1,442**	1,698
	21,768	41,165	**16,738**	16,361

Certain subsidiaries of the Group are subjected to ongoing income tax audits and examination by the income tax authorities. The income tax expense for the current year does not include any potential tax adjustments which may arise upon the outcome of such examinations.

13. Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share are calculated by dividing profit/(loss) for the year attributable to owners of the parent by the number of ordinary shares in issue during the financial year.

	Group	
	2010	**2009 (restated)**
(Loss)/Profit attributable to owners of the parent (RM'000)	**(80,248)**	72,358
Average number of ordinary shares in issue ('000)	**75,000**	75,000
Basic and diluted (loss)/earnings per share (sen)	**(107.0)**	96.5

14. Dividends

	Amount		Net dividend per share	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**Sen**	**Sen**
Group and Company				
Final dividend for 2009:				
3 sen less 25% tax per share paid on 28 May 2010	**1,687**	–	**2.3**	–

At the Annual General Meeting of the Company held on 11 May 2010, the shareholders of the Company approved the payment of a final dividend of 3 sen per ordinary share less 25% tax, totalling RM1.687 million net for the financial year ended 31 December 2009.

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 RM2.25 million net for the financial year ended 31 December 2010.

The financial statements for the financial year ended 31 December 2010 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 2011.

15. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Mine restoration RM'000	Capital work-in-progress RM'000	Total RM'000
2010						
Cost or Valuation						
At 1 January 2010						
- At cost	48	–	273,414	2,350	4,711	280,523
- At valuation	15,564	21,293	–	–	–	36,857
	15,612	21,293	273,414	2,350	4,711	317,380
Acquisition of subsidiaries	–	–	338	–	–	338
Additions	–	658	13,476	–	10,954	25,088
Attributable to disposal group classified as held for sale (Note 22)	(50)	–	(44)	–	–	(94)
Disposals/Written off	–	–	(4,128)	–	–	(4,128)
Transfer in/(out)	–	–	1,874	–	(1,874)	–
Revaluation adjustments	2,193	(723)	–	–	–	1,470
Exchange differences	2	(420)	(22,687)	–	(1,399)	(24,504)
At 31 December 2010	17,757	20,808	262,243	2,350	12,392	315,550
Representing:						
- At cost	–	–	262,243	2,350	12,392	276,985
- At valuation	17,757	20,808	–	–	–	38,565
At 31 December 2010	17,757	20,808	262,243	2,350	12,392	315,550
Accumulated depreciation and impairment losses						
At 1 January 2010	–	1,397	225,817	940	1,061	229,215
Acquisition of subsidiaries	–	–	255	–	–	255
Attributable to disposal group classified as held for sale (Note 22)	–	–	(35)	–	–	(35)
Depreciation charge for the year	–	1,299	14,841	326	–	16,466
Impairment loss (Note 10)	–	–	–	–	2,013	2,013
Disposals/Written off	–	–	(4,011)	–	–	(4,011)
Elimination of accumulated depreciation on revaluation	–	(2,583)	–	–	–	(2,583)
Exchange differences	–	(113)	(19,036)	–	(1,144)	(20,293)
At 31 December 2010	–	–	217,831	1,266	1,930	221,027
Net carrying amount						
- At cost	–	–	44,412	1,084	10,462	55,958
- At valuation	17,757	20,808	–	–	–	38,565
At 31 December 2010	17,757	20,808	44,412	1,084	10,462	94,523

15. Property, plant and equipment (cont'd)

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Mine restoration RM'000	Capital work-in-progress RM'000	Total RM'000
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 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
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	–	1,419	11,101	940	–	13,460
Impairment loss (Note 10)	–	–	–	–	319	319
Disposals/Written off	–	–	(32,126)	–	–	(32,126)
Exchange 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

15. 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
2010					
Cost or Valuation					
At 1 January 2010					
- At cost	–	–	37,300	216	37,516
- At valuation	180	8,100	–	–	8,280
	180	8,100	37,300	216	45,796
Additions	–	–	–	2,448	2,448
Disposals/Written off	–	–	(114)	–	(114)
Transfer in/(out)	–	–	1,874	(1,874)	–
Revaluation adjustments	20	450	–	–	470
At 31 December 2010	200	8,550	39,060	790	48,600
Representing:					
- At cost	–	–	39,060	790	39,850
- At valuation	200	8,550	–	–	8,750
At 31 December 2010	200	8,550	39,060	790	48,600
Accumulated depreciation and impairment losses					
At 1 January 2010	–	216	34,792	–	35,008
Depreciation charge for the year	–	216	876	–	1,092
Disposals/Written off	–	–	(114)	–	(114)
Elimination of accumulated depreciation on revaluation	–	(432)	–	–	(432)
At 31 December 2010	–	–	35,554	–	35,554
Net carrying amount					
- At cost	–	–	3,506	790	4,296
- At valuation	200	8,550	–	–	8,750
At 31 December 2010	200	8,550	3,506	790	13,046

15. 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
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	–	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

15. Property, plant and equipment (cont'd)

Group

Freehold land and buildings owned by the Group were revalued in 2010 by the directors based on 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)	Ooi Hsien Yu, MRICS, MISM Registered Valuer	2 Dec 2010	Office lots in Kuala Lumpur	4,550	Open market value
(ii)	Tay Tam, FISM Registered Valuer	2 Dec 2010	Vacant land in Juru	200	Open market value
		2 Dec 2010	80 units flats in Bukit Mertajam	4,000	Open market value
		2 Dec 2010	Land and Tin Smelting industrial complex in Butterworth	26,073	Depreciated replacement cost
		2 Dec 2010	Land and buildings in Daerah Hulu Perak	317	Depreciated replacement cost
(iii)	Ir Antonius Setiady, SCV, MAPPI (Cert) Public Valuer, Registered Valuer	1 Dec 2010	Buildings in Koba, Bangka Island	1,915	Depreciated replacement cost
		1 Dec 2010	Buildings in Pangkal Pinang, Bangka Island	321	Depreciated replacement cost
		1 Dec 2010	Buildings in Air Kantung, Bangka Island	1,189	Depreciated replacement cost
				38,565	

Had the revalued properties been carried at historical cost less accumulated depreciation and impairment losses, the net book value of each class of the properties that would have been included in the financial statements of the Group and of the Company as at 31 December 2010 would be as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Freehold land	**9,462**	9,510	**123**	123
Buildings	**10,464**	10,434	**6,490**	6,692

16. Prepaid land lease payments

Group	2010 RM'000	2009 RM'000
Leasehold land		
At 1 January	**1,312**	1,298
Additions	**–**	112
Exchange translation differences	**(67)**	(9)
Amortisation for the year (Note 4)	**(71)**	(89)
At 31 December	**1,174**	1,312
Analysed as:		
Long term leasehold land	**143**	35
Short term leasehold land	**1,031**	1,277
	1,174	1,312
Amount to be amortised:		
- Not later than one year	**76**	73
- Later than one year but not later than five years	**216**	250
- Later than five years	**882**	989
	1,174	1,312

The short term leasehold land has unexpired lease periods of between 1 and 24 years (2009: 1 and 25 years). The long term leasehold land has unexpired lease period of 52 and 58 years (2009: 53 and 59 years). Application for renewal of a lease which expired in year 2009 has been submitted and awaiting for approval from the relevant authority.

17. Intangible assets

Group	Mining rights RM'000	Goodwill RM'000	Corporate Club Membership RM'000	Total RM'000
Cost				
At 1 January 2010	**12,103**	**6,166**	**–**	**18,269**
Acquisition of subsidiaries (Note 18(a))	**–**	**657**	**513**	**1,170**
Attributable to disposal group classified as held for sale (Note 22)	**–**	**(1,204)**	**–**	**(1,204)**
Translation difference	**–**	**(431)**	**–**	**(431)**
At 31 December 2010	**12,103**	**5,188**	**513**	**17,804**
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 and impairment losses				
At 1 January 2010	**10,420**	**–**	**–**	**10,420**
Acquisition of subsidiaries (Note 18(a))	**–**	**–**	**91**	**91**
Amortisation for the year (Note 4)	**539**	**–**	**19**	**558**
Impairment loss (Note 11)	**–**	**5,188**	**–**	**5,188**
At 31 December 2010	**10,959**	**5,188**	**110**	**16,257**
At 1 January 2009	7,482	–	–	7,482
Amortisation for the year (Note 4)	2,938	–	–	2,938
At 31 December 2009	10,420	–	–	10,420
Net carrying amount				
At 31 December 2010	**1,144**	**–**	**403**	**1,547**
At 31 December 2009	1,683	6,166	–	7,849

Mining rights

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..

17. Intangible assets (cont'd)

Goodwill

The details on goodwill arising from acquisition of the following subsidiaries are as follows:

Subsidiaries	Amount RM'000	Year of acquisition
Australia Oriental Minerals NL (AOM)	1,130	2009
Asiatic Coal Private Limited (ACPL)	5,036	2009
Straits Resource Management Private Limited (SRM)	657	2010

The recoverable amount of the goodwill as at the end of the financial year was determined based on higher of value in use and fair value less costs to sell. Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired.

The recoverable amounts of goodwill arising from acquisition of ACPL and SRM were determined based on fair value less costs to sell. Based on the impairment assessment by the management, the goodwill arising from the acquisition of ACPL and SRM have been fully impaired in the current year.

The recoverable amount of goodwill arising from the acquisition of AOM, a company listed on the Australian Securities Exchange, was determined based on fair value less costs to sell of AUD0.004 per share, representing market bid price quoted as of 31 December 2010. Based on the impairment assessment made by the management, no impairment was noted as of year end.

18. Investment in subsidiaries

Company	2010 RM'000	2009 RM'000
Quoted shares, at cost	**–**	47,814
Unquoted shares, at cost	**90,072**	90,072
Less: Accumulated impairment losses	**(1,347)**	(28,149)
	88,725	109,737
Market value of quoted shares - outside Malaysia	**–**	20,600

18. Investment in subsidiaries (cont'd)

Details of subsidiaries of the Company and the Group are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
Held by the Company:				
Malaysia Smelting Corporation (Warehousing) Sdn. Bhd.*	Malaysia	Tin warehousing	**100**	100
Rahman Hydraulic Tin Sdn. Bhd. *	Malaysia	Tin mining	**100**	100
MSC Properties Sdn. Bhd.*	Malaysia	Property holding and rental	**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 **+	Australia	Tin and base metals exploration	**77**	77
Straits Resource Management Private Limited ("SRM") *(Note 18(a))	Singapore	Investment holding	**100**	–
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 Asiatic Coal Nusantara **+	Indonesia	Coal mining	**100**#	100#
PT SRM Indonesia ("PT SRM")*** (Note 18(a))	Indonesia	Providing tin exploration, management and consulting services	**99**#	–
Asiatic Coal Private Limited **+	Singapore	Investment holding	**53**#	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
\+ Classified as non-current assets classified as held for sale (Note 22)

18. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries

On 11 August 2010, the Company announced that it has acquired the entire interest in Straits Resource Management Private Limited ("SRM") from its holding company, The Straits Trading Company Limited for a total consideration of SGD332,591. The entire interest comprises the issued and paid-up capital of SRM and its wholly-owned subsidiary, PT SRM Indonesia and the assignment of outstanding shareholders' advances from the holding company amounting to SGD332,590 as at 31 July 2010 to the Company. SRM was incorporated in Singapore.

The acquisition of SRM and PT SRM had contributed the following results to the Group for the financial period ended 31 December 2010:

	31 December 2010 RM'000
Revenue	–
Loss for the year	**233**

If the acquisition had occurred on 1 January 2010, the Group's loss for the year would have been higher by RM866,000. There was no revenue from SRM and PT SRM in 2010.

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

	Fair value recognised on acquisition RM'000	**Acquirees' carrying amount RM'000**
Assets		
Plant and equipment (Note 15)	83	83
Intangible assets (Note 17)	422	229
Deferred tax asset (Note 33)	37	85
Tax recoverable	1,013	1,013
Other receivables	350	350
Cash	965	965
	2,870	2,725
Liabilities		
Other payables	(526)	(526)
Group's share of identifiable net assets	2,344	
Goodwill arising on acquisition (Note 17)	657	
Total cost of acquisition*	3,001	

The cash outflow on acquisition is as follows:

	RM'000
Purchase consideration, representing the total cash outflow*	–
Cash and cash equivalents in the companies acquired	965
Net cash inflow of the Group	965

* The total cost of acquisition is deemed to be at the nominal amount of SGD1 plus the net amounts receivable from SRM and its subsidiary amounting to RM3,001,000. This includes the amount of SGD332,590 which was assigned to the Company by its holding company.

The goodwill of RM657,000 has been fully impaired during the year ended 31 December 2010 as there are indicators of impairment. Further information on the assessment of the impairment of the goodwill for other acquisitions is disclosed in Note 17.

19. Investment in associates and jointly controlled entity

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Investment in associates				
In Malaysia:				
Unquoted shares, at cost	**10,473**	10,473	**10,473**	10,473
Share of post-acquisition reserves	**9,834**	7,013	**–**	–
	20,307	17,486	**10,473**	10,473
Outside Malaysia:				
Quoted shares, at cost	**116,610**	180,852	**116,610**	180,852
Unquoted shares, at cost	**18,431**	18,842	**18,431**	42,309
	135,041	199,694	**135,041**	223,161
Share of post-acquisition reserves	**(15,154)**	(12,272)	**–**	–
	119,887	187,422	**135,041**	223,161
Provision for impairment of investment (Note 19.1)	**(101,930)**	(35,411)	**(117,045)**	(35,000)
	17,957	152,011	**17,996**	188,161
	38,264	169,497	**28,469**	198,634
Investment in jointly controlled entity				
In Malaysia:				
Unquoted shares, at cost	**44,421**	44,421	**44,421**	44,421
Share of post-acquisition reserves	**65,854**	65,004	**–**	–
	110,275	109,425	**44,421**	44,421
Total investment in associates and jointly controlled entity	**148,539**	278,922	**72,890**	243,055
Market value of quoted shares - outside Malaysia	**13,546**	40,170	**13,546**	40,170

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010	2009
			%	%
Held by the Company:				
Redring Solder (M) Sdn. Bhd.	Malaysia	Manufacture and sale of solder products	**40**	40
Asian Mineral Resources Limited ("AMR")(a)	New Zealand (1)	Exploration and development of mineral property interests (2)	**18**	18
BCD Resources NL (formerly known as Beaconsfield Gold NL) ("BCD") (b)	Australia	Mining and refining of gold, and exploration of base metals	**–**	22
Guilin Hinwei Tin Co Ltd. ("Guilin")	China	Smelting, refining and sales of tin and tin products	**35**	35
PT Tenaga Anugerah ("PT TA") (c)	Indonesia	Off-shore tin mining	**–**	40

19. Investment in associates and jointly controlled entity (cont'd)

[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.

(a) Although the Company holds less than 20% interest in the shareholding in this investment, the Company exercises significant influence by virtue of its representative on the Board of this associate company.

In January 2010, the Company subscribed for an additional 10,750,000 new common shares amounting to approximately RM3.52 million in 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.

(b) On 22 July 2010, the Company entered into a Share Purchase and Call Option Deed with Bendigo Mining Limited ("Bendigo") relating to the sale of 45,000,000 ordinary shares in BCD at AUD0.115 per BCD share and a grant of a call option over a further 39,000,000 BCD shares to Bendigo for a consideration of 0.72 Bendigo share per BCD share. The balance of 6,000,000 BCD shares may be divested by the Company in due course. The sale of 45,000,000 BCD shares to Bendigo was completed on 26 July 2010.

The Call Option was not exercised and expired on 30 November 2010. On 27 December 2010, the Company announced that it had disposed of its entire 45,000,000 BCD shares by 21 December 2010. With this disposal, the Company ceased to be a shareholder of BCD.

A loss on disposal of RM17,351,000 was recognised for the year ended 31 December 2010. (Note 11)

(c) On 27 December 2010, the Company announced that it had entered into a Share Sale and Purchase Agreement with TMR Ltd ("TMR"), a Bermuda incorporated company, for the sale of 120,000 ordinary shares of USD1.00 each, representing 40.0% of the total issued and paid-up shares in PT Tenaga Anugerah ("PT TA"). The consideration of USD5,515,790 was based on the revalued PT TA net tangible assets, on willing seller-willing buyer basis and was satisfied by allotment and issue of 27,578,950 shares of USD0.20 each in TMR. Concurrently, MSC also entered into a novation agreement with PT TA and TMR for novation of MSC's loan from PT TA to TMR amounting to USD5,507,352, in exchange of new 27,536,760 shares at USD0.20 each issued to MSC.

With the completion of this exercise on 23 November 2010, MSC now owns 55,115,710 TMR shares valued at USD0.20 per share which represent 18.54% of TMR's enlarged share capital. TMR in turn has 99% shareholding in PT TA. (Note 20)

The summarised financial information of the associates are as follows:

Group	**2010 RM'000**	**2009 RM'000**
Share of associates' assets and liabilities		
Assets and liabilities		
Current assets	**25,499**	33,818
Non-current assets	**122,606**	214,269
Total assets	**148,105**	248,087
Current liabilities	**7,888**	34,982
Non-current liabilities	**23**	8,197
Total liabilities	**7,911**	43,179
Share of associates' revenue and profit/(loss)		
Results		
Revenue	**56,946**	90,991
Profit/(Loss) for the year	**(8,008)**	221

19. Investment in associates and jointly controlled entity (cont'd)

Details of the jointly controlled entity are as follows:

Name of jointly controlled entity	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
Held by the Company:				
KM Resources, Inc.	Labuan, Malaysia	Investment holding	**30**	30

The Group completed the acquisition of the jointly controlled entity during the financial year ended 31 December 2009. This jointly controlled entity is the holding company of certain companies which are involved in the Rapu Rapu Polymetallic Project in the Philippines. This investment has been classified as a jointly controlled entity as certain key operating and financial decisions require the joint approval of the shareholders of KMR.

As at 31 December 2009, the fair values of the assets and liabilities arising from the acquisition of this jointly controlled entity have been determined on a provisional basis. The fair values of such assets and liabilities have not been finalised by the date the Audited Financial Statements were initially authorised for issue.

The fair values of the assets and liabilities have subsequently been finalised. In accordance with FRS 3, Business Combinations, the adjustments arising from the finalisation of such provisional purchase price allocation, which are to be made within twelve months from the date of acquisition are to be made retrospectively.

Consequently, a gain on bargain purchase amounting to RM65,004,000 has been included in the restated share of results of associates and jointly controlled entity for the financial year ended 31 December 2009, and the restated carrying amount of the investment in associates and jointly controlled entity has been increased by a corresponding amount.

	2010 RM'000	2009 RM'000 (restated)
Share of jointly controlled entity's assets and liabilities		
Assets and liabilities		
Current assets	**43,593**	50,795
Non-current assets	**118,384**	119,143
Total assets	**161,977**	169,938
Current liabilities	**27,820**	36,085
Non-current liabilities	**23,882**	24,428
Total liabilities	**51,702**	60,513
Share of jointly controlled entity's revenue and profit		
Results		
Revenue	**79,206**	–
Profit for the year	**12,390**	65,004

As the acquisition of the jointly controlled entity was only completed on 31 December 2009, the share of results of this jointly controlled entity for the financial year ended 31 December 2009 relates solely to the gain on bargain purchase of RM65,004,000 recognised upon the completion of the purchase price allocation exercise.

19. Investment in associates and jointly controlled entity (cont'd)

19.1 Impairment assessment

Group

(a) AMR

The investment in AMR was tested for impairment as there was an indication of impairment as at 31 December 2010. The recoverable amount was determined based on higher of value in use and fair value less costs to sell. In the financial year ended 31 December 2008, an impairment loss of RM35 million was recognised in respect of the investment in AMR. A further impairment loss of RM58 million was recognised in the financial year ended 31 December 2010 based on the fair value less costs to sell, which is the market bid prices of C$0.14 per share, traded on Toronto Stock Exchange.

(b) Guilin

The major shareholder of this investment has encountered difficulties in fulfilling certain obligations under the contractual agreement entered into with the Company within a specific time frame. For the purpose of the impairment assessment, the recoverable amount of this investment has been determined based on the estimated realisable value of the net assets in this investment. Consequently, an impairment loss of RM8,800,000 has been recognised during the current year.

(c) BCD

The investment in BCD, which was previously regarded as an investment in associate, has been reclassified as a non-current asset held for sale during the financial year. Upon the reclassification, this investment, which consists of 90 million shares in BCD and is traded on the Australian Securities Exchange (ASX), has been measured at the lower of its cost and fair value less cost to sell.

The fair value less cost to sell for the 45 million shares which have been disposed in July 2010 was based on the cash consideration of AUD0.115 received for the disposal of the shares. A net impairment loss of RM29,711,000 based on market value at 30 September 2010 was recognised during the year. The remaining 45,000,000 BCD shares were disposed of in various tranches in December 2010. A loss on disposal of RM17,351,000 was recognised for the year ended 31 December 2010.

20. Investment securities

Group and Company	2010 RM'000	2009 RM'000
Available-for-sale (AFS) investments:		
- Quoted shares, at fair value	**47**	165
- Unquoted investment, at fair value	**34,320**	–
	34,367	165

(a) Quoted shares, at fair value

The quoted shares as at 31 December 2009 and 2010 comprise the investment in Republic Gold Limited, a company incorporated in Australia. During the financial year, the Group recognised an impairment loss of RM472,000 in profit or loss for this investment as there was "significant" or "prolonged" decline in the fair value of this investment.

(b) Unquoted investment, at fair value

The unquoted shares at fair value comprise of investment in TMR Ltd ("TMR"), a Bermuda incorporated company. MSC had entered into a Share Sale and Purchase Agreement with TMR Ltd ("TMR"), a Bermuda incorporated company, for the sale of 120,000 ordinary shares of USD1.00 each, representing 40.0% of the total issued and paid-up shares in PT Tenaga Anugerah ("PT TA"). The consideration of USD5,515,790 was based on the revalued PT TA net tangible assets, on willing seller-willing buyer basis and was satisfied by allotment and issue of 27,578,950 shares of USD0.20 each in TMR. Concurrently, MSC also entered into a novation agreement with PT TA and TMR for novation of MSC's loan from PT TA to TMR amounting to USD5,507,352, in exchange of new 27,536,760 shares at USD0.20 each issued to MSC. With the completion of this exercise on 23 November 2010, MSC now owns 55,115,710 TMR shares valued at USD0.20 per share which represent 18.54% of TMR's enlarged share capital. TMR in turn has 99% shareholding in PT TA.

The fair value of investment in TMR was determined based on an external valuation. The valuation assumes the economically recoverable tin reserves of 25,767 tonnes in the concession areas, with tin prices ranging from USD20,000 to USD27,000 per tonne from year 2010 to 2014. The discount rate used in the valuation is 14%.

21. Other non-current assets

Group	Deferred exploration and evaluation expenditure RM'000	Deferred mine development expenditure RM'000	Mining assets RM'000	Total RM'000
2010				
At 1 January 2010	**28,698**	**48,481**	**77,164**	**154,343**
Additions	**3,519**	**33,878**		**37,397**
Amortisation to profit or loss (Note 4)	**(839)**	**(11,724)**	**–**	**(12,563)**
Attributable to disposal group classified as held for sale (Note 22)	**(9,373)**	**–**	**(13,135)**	**(22,508)**
Written off to profit or loss (Note 10)	**(2,654)**	**–**	**–**	**(2,654)**
Provision for impairment (Note 11)	**–**	**–**	**(56,357)**	**(56,357)**
Exchange differences	**(1,739)**	**(3,716)**	**(7,672)**	**(13,127)**
At 31 December 2010	**17,612**	**66,919**	**–**	**84,531**
2009				
At 1 January 2009	34,877	29,851	–	64,728
Acquisition of subsidiaries	11,554	–	77,164	88,718
Additions	5,642	25,962	–	31,604
Deemed disposal of a Subsidiary	(19,095)	–	–	(19,095)
Amortisation to profit or loss (Note 4)	(2,392)	(7,165)	–	(9,557)
Write off to profit or loss (Note 10)	(1,469)	–	–	(1,469)
Exchange differences	(419)	(167)	–	(586)
At 31 December 2009	28,698	48,481	77,164	154,343

(a) Deferred expenditure

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 and resources.

(b) Mining assets

Mining assets are the fair value of economically recoverable coal reserves based on 1,500,000 tonnes of estimated recoverable coal resources at US Dollar 15 per tonne arising from acquisition of Asiatic Coal Private Limited in 2009.

For the purpose of the impairment assessment and review made by the management, the recoverable amount of the mining assets has been determined based on an external valuation which indicates a value ranging from USD1.0 million to USD7.50 million. The management represented that an average of USD4.25 million was taken as the recoverable amount of the mining assets. As a result of the assessment, an impairment loss of RM56,357,000 has been recognised in relation to the mining assets. The carrying amount of the mining assets has been reclassified to assets of disposal group held for sale as at 31 December 2010. Please refer to Note 22 for details.

Other than impairment for mining assets as discussed above, based on the assessment and review made by the management, there is no indication of impairment for other assets.

22. Disposal group classified as held for sale

At 31 December 2010, the Company reclassified its 76.91% interest in Australia Oriental Minerals NL ("AOM") and 53.04% effective interest in Asiatic Coal Private Limited ("ACPL") as disposal group held for sale, as these investments have met the criteria as described in Note 3.1(b).

Statements of financial position disclosures

The major classes of assets and liabilities of AOM and ACPL classified as held for sale and the related foreign currency translation reserve on the Group's statement of financial position as at 31 December 2010 were as follows:

	Group RM'000
Assets:	
Property, plant and equipment	59
Intangible assets (Note 17)	1,204
Deferred exploration and evaluation expenditure (Note 21)	9,373
Mining assets (Note 21)	13,135
Inventory	754
Other receivables	426
Cash, bank balances and deposits (Note 26)	525
Assets of disposal group classified as held for sale	25,476
Liabilities:	
Trade and other payables	7,867
Provisions (Note 27)	158
Deferred tax liabilities (Note 33)	3,284
Liabilities directly associated with disposal group classified as held for sale	11,309
Net assets directly associated with disposal group classified as held for sale	14,167
Reserve:	
Reserve of disposal group classified as held for sale	(3,256)

The non-current assets classified as held for sale on the Company's statement of financial position as at 31 December 2010 were as follows:

	Company RM'000
Assets:	
Investment in subsidiary	**21,147**
Investment in associate	**3,940**
	25,087

The assets, liabilities and non-current assets classified as held for sale on the Group's and Company's statement of financial position were measured at the lower of carrying amounts and fair values less costs to sell.

23. Inventories

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
At cost:				
Inventories of tin-in- concentrates, tin-in-process and refined tin metal	**376,490**	350,861	**272,892**	223,824
Other inventories (stores, spares, fuels, coal and by-products)	**27,830**	29,689	**10,716**	7,466
	404,320	380,550	**283,608**	231,290

During the year, an amount of RM7,860,000 for tin slag inventory previously written down were written back. This income has been included in cost of tin mining and smelting.

24. Trade and other receivables

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Non-current				
Other receivables				
Jointly controlled entity	**2,607**	2,648	**2,607**	2,648
Current				
Trade receivables				
Third parties	**143,825**	134,788	**141,766**	129,920
Subsidiaries	**–**	–	**6**	–
An associate	**804**	–	**804**	–
	144,629	134,788	**142,576**	129,920
Allowance for impairment				
Third parties	**(5,954)**	(3,100)	**(5,954)**	(3,100)
Trade receivables, net	**138,675**	131,688	**136,622**	126,820
Other receivables				
Third parties	**119,843**	51,656	**19,678**	17,029
Subsidiaries	**–**	–	**99,170**	94,589
Related companies	**–**	1,102	**–**	2,627
Associates	**–**	15,229	**241**	15,229
Jointly controlled entity	**12**	–	**12**	–
	119,855	67,987	**119,101**	129,474
Allowance for impairment				
- Third parties	**(2,035)**	(2,517)	**(4,441)**	(1,599)
Other receivables, net	**117,820**	65,470	**114,660**	127,875
Deposits	**2,273**	2,167	**763**	754
Other receivables	**120,093**	67,637	**115,423**	128,629
Total trade and other receivables (current)	**258,768**	199,325	**252,045**	255,449
Total trade and other receivables (current and non-current) excluding deposits	**259,102**	199,806	**253,889**	257,343
Deposits	**2,273**	2,167	**763**	754
Total trade and other receivables (current and non-current)	**261,375**	201,973	**254,652**	258,097
Add: Cash and cash equivalents (Note 26)	**119,244**	65,285	**78,378**	30,975
Total loans and receivables	**380,619**	267,258	**333,030**	289,072

(a) Credit risk

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.

Other information on credit risk are disclosed in Note 38(d).

24. Trade and other receivables (cont'd)

(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 RM94.24 million (2009: RM92.83 million). Interest rates of between 3.0% and 4.0% (2009: 3.0% and 8.0%) per annum are charged on these advances.

(c) Amount due from jointly controlled entity

The amount of RM2,607,000 (2009: RM2,648,000) due from a jointly controlled entity 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 a jointly controlled entity under other receivables in current assets comprises short term advances, for working capital. They are unsecured, interest free and repayable on demand.

(d) Amount due from associates

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

The amount due from associates under other receivables in current assets comprises the unsecured short term loan was nil (2009: RM15.23 million). The RM15.23 million for 2009, an advance to PT Tenaga Anugerah has been converted to paid up capital of TMR Ltd., as disclosed in Note 20(b). There is no interest charge on this advance.

(e) Amount due from related companies

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

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks of receivables are disclosed in Note 38.

The age analysis of non-current and current trade and other receivables (excluding deposits) is as follows:

	Gross RM'000	Provision for impairment losses RM'000	Net RM'000
Group			
31 December 2010			
Not past due	**220,476**	**–**	**220,476**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**23,607**	**–**	**23,607**
61 to 90 days	**2,855**	**–**	**2,855**
91 to 120 days	**128**	**–**	**128**
More than 120 days	**20,025**	**7,989**	**12,036**
	46,615	**7,989**	**38,626**
Total	**267,091**	**7,989**	**259,102**

24. Trade and other receivables (cont'd)

	Gross RM'000	Provision for impairment losses RM'000	Net RM'000
Group			
31 December 2009			
Not past due	151,874	–	151,874
Past due:			
Less than 30 days	1,761	–	1,761
30 to 60 days	30,486	–	30,486
61 to 90 days	5,424	–	5,424
91 to 120 days	32	–	32
More than 120 days	15,846	5,617	10,229
	53,549	5,617	47,932
Total	205,423	5,617	199,806
Company			
31 December 2010			
Not past due	**221,702**	**–**	**221,702**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**21,223**	**–**	**21,223**
61 to 90 days	**2,691**	**–**	**2,691**
91 to 120 days	**1**	**–**	**1**
More than 120 days	**18,667**	**10,395**	**8,272**
	42,582	**10,395**	**32,187**
Total	**264,284**	**10,395**	**253,889**
31 December 2009			
Not past due	212,360	–	212,360
Past due:			
Less than 30 days	–	–	–
30 to 60 days	30,387	–	30,387
61 to 90 days	5,033	–	5,033
91 to 120 days	–	–	–
More than 120 days	14,262	4,699	9,563
	49,682	4,699	44,983
Total	262,042	4,699	257,343

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

Receivables that are past due but not impaired

The Group and the Company have trade and other receivables amounting to RM38,626,000 and RM32,187,000 respectively (2009: RM47,932,000 and RM44,983,000 respectively) that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are mostly due from creditworthy customers.

24. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's and the Company's trade and other receivables that are impaired at the reporting date and the movement of allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired			
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Trade and other receivables- nominal amounts	**16,167**	14,895	**18,573**	13,977
Less: Allowance for impairment	**(7,989)**	(5,617)	**(10,395)**	(4,699)
	8,178	9,278	**8,178**	9,278

Movement in the allowance accounts:

	Group		Company	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**5,617**	4,399	**4,699**	3,462
Impairment for the year (Note 10)	**2,854**	1,363	**5,932**	1,363
Amounts written-off	**(296)**	(8)	**(132)**	–
Reversal of impairment (Note 7)	**(104)**	(126)	**(104)**	(126)
Exchange adjustment	**(82)**	(11)	**–**	–
At 31 December	**7,989**	5,617	**10,395**	4,699

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. Included in the net carrying amount of trade receivables is an amount of RM8,178,000 (2009: RM9,278,000) for the Group and the Company which is secured by a charge on the share of tribute of a tin mining concession.

25. Other current assets

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Prepaid operating expenses	**7,144**	6,275	**3,000**	1,523

26. Cash, bank balances and deposits

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash on hand and at banks	**82,246**	26,622	**61,681**	7,245
Deposits with:				
- licensed banks	**25,443**	38,417	**16,330**	23,484
- other financial institution	**11,555**	246	**367**	246
Cash and bank balances	**119,244**	65,285	**78,378**	30,975

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between four days and 12 months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2010 for the Group and the Company were 2.2% (2009: 1.1%) and 1.7% (2009: 0.7%) respectively.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and short term deposits:				
- Continuing operations	**119,244**	65,285	**78,378**	30,975
- Attributable to disposal group classified as held for sale (Note 22)	**525**	–	**–**	–
Cash and cash equivalents	**119,769**	65,285	**78,378**	30,975

27. Provisions

	Severance benefits RM'000	Mine rehabilitation RM'000	Total RM'000
Group			
At 1 January 2010	**7,725**	**20,583**	**28,308**
Provision during the year (Notes 4 and 8)	**8,544**	**5,855**	**14,399**
Unwinding of discount on provision (Note 9)	**–**	**123**	**123**
Paid/Utilised during the year	**(3,430)**	**–**	**(3,430)**
Plan asset (Note 27(a)i))	**(10,722)**	**–**	**(10,722)**
Attributable to disposal group classified as held for sale (Note 22)	**–**	**(158)**	**(158)**
Exchange differences	**(351)**	**(2,014)**	**(2,365)**
At 31 December 2010	**1,766**	**24,389**	**26,155**
At 1 January 2009	9,704	19,307	29,011
Acquisition of a subsidiary	–	237	237
Provision during the year (Notes 4 and 8)	4,623	1,261	5,884
Unwinding of discount on provision (Note 9)	–	117	117
Paid/Utilised during the year	(635)	–	(635)
Plan asset (Note 27(a)i))	(7,771)	–	(7,771)
Exchange 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 2010			
Current	**1,673**	**4,415**	**6,088**
Non-current:			
Later than 1 year but not later than 2 years	**–**	**3,808**	**3,808**
Later than 2 years but not later than 5 years	**–**	**13,574**	**13,574**
Later than 5 years	**93**	**2,592**	**2,685**
	93	**19,974**	**20,067**
	1,766	**24,389**	**26,155**
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

27. 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 statement of financial position are determined as follows:

	2010 RM'000	2009 RM'000
Present value of unfunded defined benefit obligations	**39,640**	36,140
Fair value of plan asset	**(26,738)**	(19,206)
Unrecognised actuarial losses	**(10,257)**	(7,507)
Unrecognised past service costs	**(879)**	(1,702)
Net liability	**1,766**	7,725
Analysed as:		
Current	**1,673**	2,532
Non-current:	**–**	–
Later than 1 year but not later than 2 years	**–**	–
Later than 2 years but not later than 5 years	**–**	5,120
Later than 5 years	**93**	73
	93	5,193
	1,766	7,725

The amounts recognised in profit or loss are as follows:

	2010 RM'000	2009 RM'000
Current service cost	**5.520**	1,646
Interest cost	**3,021**	3,147
Net actuarial losses	**545**	657
Past services costs	**1,741**	586
Expected return on plan asset	**(2,283)**	(1,413)
Total, included in employee benefits expense (Note 8)	**8,544**	4,623

27. Provisions (cont'd)

(a) Severance benefits (cont'd)

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

	2010 RM'000	2009 RM'000
At 1 January	**7,725**	9,704
Recognised in profit or loss (Note 8)	**8,544**	4,623
Contribution paid	**(3,430)**	(635)
Plan asset (Note 27 (a)i)	**(10,722)**	(7,771)
Exchange differences	**(351)**	1,804
At 31 December	**1,766**	7,725

Principal actuarial assumptions used:

	2010 % per annum	2009 % per annum
Discount rate	**6.50 - 8.00**	9.00 - 11.00
Expected rate of salary increases	**10.00**	10.00

(i) Plan asset

This is in respect of an 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 (2009: 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.

28. Borrowings

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short term borrowings				
Unsecured:				
Short term trade financing	**40,321**	209,275	**40,321**	209,275
Bankers' acceptances	**508,109**	263,807	**508,109**	263,807
Revolving credit	**27,814**	–	**–**	–
Revolving credit (restructured)	**12,362**	8,574	**12,362**	8,574
Term loan 1	**3,000**	3,000	**3,000**	3,000
Term loan 2	**20,861**	18,005	**–**	–
Term loan 3	**6,181**	6,859	**6,181**	6,859
	618,648	509,520	**569,973**	491,515

28. Borrowings (cont'd)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Long term borrowings				
Unsecured:				
Revolving credit (restructured)	**38,631**	56,587	**38,631**	56,587
Term loan 1	**–**	3,000	**–**	3,000
Term loan 2	**39,404**	66,875	**–**	–
Term loan 3	**4,357**	11,693	**4,357**	11,693
	82,392	138,155	**42,988**	71,280
Total borrowings				
Unsecured:				
Short term trade financing	**40,321**	209,275	**40,321**	209,275
Bankers' acceptances	**508,109**	263,807	**508,109**	263,807
Revolving credit	**27,814**	–	**–**	–
Revolving credit (restructured)	**50,993**	65,161	**50,993**	65,161
Term loan 1	**3,000**	6,000	**3,000**	6,000
Term loan 2	**60,265**	84,880	**–**	–
Term loan 3	**10,538**	18,552	**10,538**	18,552
	701,040	647,675	**612,961**	562,795

Term loan 1: Bank's Cost of Funds + 1% per annum

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.

Term loan 2: Bank's Cost of Funds + 0.85% per annum

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

Term loan 3: Bank's Cost of Funds + 1% per annum

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

Revolving credit (restructured): Bank's Cost of Funds + 1% per annum

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.

The remaining maturities of the loans and borrowings as at 31 December 2010 are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
On demand or within one year	**618,648**	509,520	**569,973**	491,515
More than 1 year and less than 2 years	**45,307**	46,726	**19,810**	23,577
More than 2 years and less than 5 years	**37,085**	91,429	**23,178**	47,703
	701,040	647,675	**612,961**	562,795

Other information on financial risks on borrowings are disclosed in Note 38.

29. Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	**53,369**	27,981	**35,735**	19,765
Subsidiaries	**–**	–	**20,597**	22,880
	53,369	27,981	**56,332**	42,645
Other payables				
Third parties	**72,418**	39,264	**12,740**	12,893
Holding company	**109**	–	**109**	–
Subsidiaries	**–**	–	**2,667**	788
A related company	**–**	–	**–**	–
Associates	**–**	534	**–**	500
	72,527	39,798	**15,516**	14,181
Accruals	**20,279**	10,026	**12,636**	3,854
	92,806	49,824	**28,152**	18,035
Total trade and other payables	**146,175**	77,805	**84,484**	60,680
Add: Loans and borrowings (Note 28)	**701,040**	647,675	**612,961**	562,795
Total financial liabilities carried at amortised cost	**847,215**	725,480	**697,445**	623,475

(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 holding company

Amount due to holding company is non-interest bearing and are repayable on demand. This amount is unsecured and is to be settled in cash.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks of payables are disclosed in Note 38.

(d) 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 37.

Other information on financial risks of payables are disclosed in Note 38.

30. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2010	**2009**	**2010**	**2009**
	'000	**'000**	**RM'000**	**RM'000**
Authorised:				
At 1 January / 31 December	**500,000**	500,000	**500,000**	500,000
Issued and fully paid:				
At 1 January / 31 December	**75,000**	75,000	**75,000**	75,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

The manufacturing license of the Company issued by Ministry of International Trade and Industry ("MITI") requires at least 51.0% of its shares to be held by Malaysia citizens (the "Malaysian Citizenship Requirement") and 30.0% of its shares are to be held by Bumiputera investors approved by MITI (the "Bumiputera Equity Requirement", together with the Malaysian Citizen Requirement, the "Equity Condition"). Upon the listing of the Company on Bursa Malaysia, MITI had acknowledged that the Company has complied with the Equity Condition. MITI would continue to regard the Company as being in compliance with the Equity Condition until the Company undertakes a corporate exercise (other than a rights or bonus issue) that will result in an increase in its paid-up share capital.

Pursuant to an application for approval for the secondary listing of its shares on the Singapore Exchange (the "Secondary Listing"), MITI had on 14 December 2010, granted approval for the same subject to, amongst others, the Company having to comply with the Equity Condition within a period of one year from 14 December 2010 (the "Stipulated Period"). The Company, on 22 December 2010, appealed to MITI to dispense with the Equity Condition for the purposes of the offering and the Secondary Listing. There is no assurance that the appeal will be successful. Pending the outcome of the appeal, the Company is required to comply with the Equity Condition in respect of any new shares that may be issued by the Company in connection with any corporate exercise (other than a rights or bonus issue) which may be undertaken that will result in an increase in the Company's paid-up share capital.

If MITI rejects the appeal, and the Company subsequently is unable, for any reason, to comply with the Equity Condition within the stipulated period, the Company may seek for extension of time to comply with the Equity Condition. There is no assurance that MITI will grant an extension of time (or further extension) for the Company to comply with the Equity Condition. In addition, there is also no assurance that MITI will not impose new conditions in lieu of the Equity Condition in the event that MITI does grant any further extension.

If MITI does not grant an extension of time (or further extension) for the Company to comply with the Equity Condition, or the Company is unable to comply with new conditions imposed (if any) by MITI, the Company will be obliged to comply with the Equity Condition. In such event, the Company has to undertake a placement of additional shares in order to comply with the Equity Condition and this may result in a dilution of the shareholdings of the existing shareholders.

31. Other reserves (non-distributable)

Group	Share premium RM'000	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000	Total RM'000
At 1 January 2009	1,706	15,105	(7,344)	–	–	9,467
Other comprehensive income:						
Foreign currency translation	–	–	(1,010)	–	–	(1,010)
	–	–	(1,010)	–	–	(1,010)
At 31 December 2009	1,706	15,105	(8,354)	–	–	8,457
At 1 January 2010	**1,706**	**15,105**	**(8,354)**	**–**	**–**	**8,457**
Effects of adoption of FRS139	**–**	**–**	**–**	**(354)**	**(6,738)**	**(7,092)**
	1,706	**15,105**	**(8,354)**	**(354)**	**(6,738)**	**1,365**
Other comprehensive income:						
Foreign currency translation	**–**	**–**	**(22,969)**	**–**	**–**	**(22,969)**
Cumulative fair value loss on available-for-sale investment securities transferred to profit or loss	**–**	**–**	**–**	**354**	**–**	**354**
Net fair value changes on cash flow hedges						
- Net gain/(loss) on fair value changes during the year	**–**	**–**	**–**	**–**	**13,485**	**13,485**
- Recognised in profit or loss:						
- Ineffective cash flow hedge	**–**	**–**	**–**	**–**	**(3,298)**	**(3,298)**
Revaluation of land and buildings	**–**	**4,178**	**–**	**–**	**–**	**4,178**
Income tax relating to components of other comprehensive income	**–**	**(517)**	**–**	**–**	**(2,737)**	**(3,254)**
	–	**3,661**	**(22,969)**	**354**	**7,450**	**(11,504)**
Transactions with owners:						
Reserve attributable to disposal group classified as held for sale (Note 22)	**–**	**–**	**3,256**	**–**	**–**	**3,256**
At 31 December 2010	**1,706**	**18,766**	**(28,067)**	**–**	**712**	**(6,883)**

31. Other reserves (non-distributable) (cont'd)

	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000	Total RM'000
Company				
At 1 January 2009/ 31 December 2009	4,426	–	–	4,426
At 1 January 2010	**4,426**	**–**	**–**	**4,426**
Effects of adoption of FRS139	**–**	**(354)**	**(1,721)**	**(2,075)**
	4,426	**(354)**	**(1,721)**	**2,351**
Other comprehensive income:				
Cumulative fair value loss on available-for-sale investment securities transferred to profit or loss	**–**	**354**	**–**	**354**
Net fair value changes on cash flow hedges				
- Net gain/(loss) on fair value changes during the year	**–**	**–**	**3,457**	**3,457**
- Recognised in profit or loss:				
- Ineffective cash flow hedge (Note 7)	**–**	**–**	**(212)**	**(212)**
Revaluation of land and buildings	**903**	**–**	**–**	**903**
Income tax relating to components of other comprehensive income (Note 12)	**(221)**	**–**	**(812)**	**(1,033)**
	682	**354**	**2,433**	**3,469**
At 31 December 2010	**5,108**	**–**	**712**	**5,820**

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

(a) Share premium

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

(b) 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.

(c) 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.

(d) Available-for-sale ("AFS") reserve

AFS reserve records the cumulative fair value changes of available-for-sale investment securities until they are derecognised or impaired.

(e) Hedging reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at reporting date. Also recorded here as a separate component, is the effective portion of the gain or loss on hedging instruments in cash flow hedges.

32. Retained earnings

As at 31 December 2010, the Company has tax exempt profits available for distribution of approximately RM108 million (2009: RM108 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 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2010, the Company has sufficient credit in the revised 108 balance to pay franked dividends out of its entire retained earnings.

33. Deferred tax

	Group		**Company**	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
At 1 January	**7,862**	(16,040)	**(770)**	(4,614)
Effects of adopting FRS 139	**(4,066)**	–	**(782)**	–
	3,796	(16,040)	**(1,552)**	(4,614)
Acquisition of subsidiaries (Note 18(a))	**(37)**	19,238	**–**	–
Attributable to disposal group classified as held for sale (Note 22)	**(3,284)**	–	**–**	–
Recognised in profit or loss (Note 12)	**(14,023)**	4,459	**(737)**	3,844
Recognised in other comprehensive income (Note 12)	**3,679**	–	**1,033**	–
Exchange differences	**(917)**	205	**–**	–
At 31 December	**(10,786)**	7,862	**(1,256)**	(770)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(11,083)**	(12,572)	**(1,256)**	(770)
Deferred tax liabilities	**297**	20,434	**–**	–
	(10,786)	7,862	**(1,256)**	(770)

33. Deferred tax (cont'd)

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

Deferred tax liabilities

Group	Property, plant and equipment RM'000	Receivables RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
At 1 January 2010	**27,262**	**(1,078)**	**–**	**26,184**
Effects of adopting FRS 139	**–**	**–**	**201**	**201**
	27,262	**(1,078)**	**201**	**26,385**
Attributable to disposal group classified as held for sale (Note 22)	**(3,284)**	**–**	**–**	**(3,284)**
Recognised in profit or loss	**(9,333)**	**(748)**	**53**	**(10,028)**
Recognised in other comprehensive income	**559**	**–**	**37**	**596**
Exchange difference	**(2,415)**	**–**	**–**	**(2,415)**
At 31 December 2010	**12,789**	**(1,826)**	**291**	**11,254**
At 1 January 2009	8,670	(859)	–	7,811
Acquisition of subsidiaries	19,291	–	–	19,291
Recognised in profit or loss	(668)	(222)	–	(890)
Exchange difference	(31)	3	–	(28)
At 31 December 2009	27,262	(1,078)	–	26,184

Company				
At 1 January 2010	**1,304**	**(1,081)**	**–**	**223**
Effects of adopting FRS 139	**–**	**–**	**201**	**201**
	1,304	**(1,081)**	**201**	**424**
Recognised in profit or loss	**369**	**(748)**	**53**	**(326)**
Recognised in other comprehensive income	**221**	**–**	**37**	**258**
At 31 December 2010	**1,894**	**(1,829)**	**291**	**356**
At 1 January 2009	1,082	(859)	–	223
Recognised in profit or loss	222	(222)	–	–
At 31 December 2010	1,304	(1,081)	–	223

33. Deferred tax (cont'd)

Deferred tax assets

Group	Unused tax losses and unabsorbed capital allowance RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
At 1 January 2010	**–**	**(18,322)**	**–**	**(18,322)**
Effects of adopting FRS 139	**–**	**–**	**(4,267)**	**(4,267)**
	–	**(18,322)**	**(4,267)**	**(22,589)**
Acquisition of subsidiaries (Note 18(a))	**–**	**(37)**	**–**	**(37)**
Recognised in profit or loss	**(35)**	**(4,800)**	**840**	**(3,995)**
Recognised in other comprehensive income	**–**	**–**	**3,083**	**3,083**
Exchange difference	**–**	**1,498**	**–**	**1,498**
At 31 December 2010	**(35)**	**(21,661)**	**(344)**	**(22,040)**
At 1 January 2009	(4,215)	(19,636)	–	(23,851)
Acquisition of subsidiaries	(53)	–	–	(53)
Recognised in profit or loss	4,268	1,081	–	5,349
Exchange difference	–	233	–	233
At 31 December 2009	–	(18,322)	–	(18,322)
Company				
At 1 January 2010	**–**	**(993)**	**–**	**(993)**
Effects of adopting FRS 139	**–**	**–**	**(983)**	**(983)**
	–	**(993)**	**(983)**	**(1,976)**
Recognised in profit or loss	**–**	**(275)**	**(136)**	**(411)**
Recognised in other comprehensive income	**–**	**–**	**775**	**775**
At 31 December 2010	**–**	**(1,268)**	**(344)**	**(1,612)**
At 1 January 2009	(4,215)	(622)	–	(4,837)
Recognised in profit or loss	4,215	(371)	–	3,844
At 31 December 2009	–	(993)	–	(993)

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

	2010 RM'000	2009 RM'000
Unutilised tax losses	**84,566**	82,116

33. Deferred tax (cont'd)

Deferred tax assets (cont'd)

(a) The unutilised tax losses of the Group comprise:

(i) no amount (2009: RM14,000) is 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 RM48,315,000 (2009: RM46,788,000) 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 RM36,251,000 (2009: RM35,314,000) 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.

(b) At the reporting date, no deferred tax liability (2009: 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 RM136,853,000 (2009: RM127,226,000). The deferred tax liability is estimated to be RM20,528,000 (2009: RM19,084,000).

34. Derivative financial instruments

Derivative financial instruments included in the statement of financial position as at 31 December are as follows:

	Group and Company	
	Assets	**Liabilities**
2010	**RM'000**	**RM'000**
Interest rate swap contract	**–**	**1,375**
Forward sales contracts	**–**	**–**
Foreign currency forward contracts	**1,162**	**1**
	1,162	**1,376**
Current	**1,162**	**1**
Non-current	**–**	**1,375**

These represent the fair value of:

(a) An interest rate swap contract entered into for the purpose of managing interest rate risk. The fair value changes of this contract are recognised in profit or loss.

(b) Foreign currency forward contracts entered into for the purpose of hedging against foreign exchange risk. The fair value changes are recognised in the other comprehensive income and accumulated in equity under hedging reserve to the extent that the hedges are effective.

(c) Forward sales contracts entered into for the purpose of hedging against market fluctuations in tin prices. The fair value changes of such contracts are recognised in the other comprehensive income and accumulated in equity under hedging reserve to the extent that the hedges are effective.

34. Derivative financial instruments (cont'd)

The Group has the following derivative financial instruments accounted as:

(i) Cash flow hedges

At 31 December 2010:

(a) Foreign currency forward contracts designated as hedges against expected future sales in United States Dollar (USD):

Sell USD (in million)	Range of maturity period	Average exchange rate RM/USD
22.0	From January 2011 to February 2011	3.1423

The fair value gain of RM950,000 with a deferred tax expense of RM238,000 on such contracts that relate to effective hedges was included in the hedging reserve (Note 31) in respect of the contracts. The cash flow hedges of certain future forward contracts were assessed to be ineffective. Accordingly, the fair value gain of RM212,000 with a deferred tax expense of RM53,000 was recognised in profit or loss.

(b) Foreign currency forward contract designated as hedges against expected future purchase in Singapore Dollar (SGD):

Buy SGD SGD'000	Maturity	Average exchange rate RM/SGD
73	January 2011	2.388

The cash flow hedge on this forward contract was assessed to be ineffective. Accordingly, the fair value loss of RM1,000 was recognised in profit or loss.

(ii) Interest rate swap contract

The Group has an interest rate swap contract to manage its interest rate risk arising from floating rate borrowings in United States dollar (USD):

Notional amount (USD million)	Maturity period	Receive floating interest rate	Pay fixed interest rate
16.5	March 2014	3 month London Inter-bank Offer Rate	2.47%

As at 31 December 2010, a fair value loss of RM1,375,000 with a deferred tax income of RM344,000 relating to the interest rate swap contract was recognised in profit or loss.

35. Capital commitments

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Capital expenditure:				
Approved and contracted for:				
- Investment in an associate	**9,756**	9,756	**9,756**	9,756
- Property, plant and equipment	**1,717**	1,797	**1,662**	797
	11,473	11,553	**11,418**	10,553
Approved but not contracted for:				
- Property, plant and equipment	**5,255**	2,000	**–**	–

36. Contingent liabilities (unsecured)

Group

At 31 December 2010, 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) 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.

d) On 9 February 2011, the Penang High Court delivered a decision that the Company has to pay RM121,200, interest at the rate of 4% per annum from the date of claim to the date of judgment and further interest at 8% per annum after date of judgment to date of payment. This is in respect of a statement of claim received by the Company on 7 February 2006 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. The party filed an appeal to the Court of Appeal against the judgement of Penang High Court allowing only part of its claim.

Company

At 31 December 2010, 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 issued as guarantee for bank facilities amounting to RM88.1 million (USD28.5 million) utilized by a subsidiary.

(d) On 9 February 2011, the Penang High Court delivered a decision that the Company has to pay RM121,200, interest at the rate of 4% per annum from the date of claim to the date of judgment and further interest at 8% per annum after date of judgment to date of payment. This is in respect of a statement of claim received by the Company on 7 February 2006 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. The party filed an appeal to the Court of Appeal against the judgement of Penang High Court allowing only part of its claim.

37. Related party disclosures

(a) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

Group	Note	2010 RM'000	2009 RM'000
Related companies *:			
- Management fee charged		**348**	7,193
- Advances	(v)	**–**	574
Associates/jointly controlled entity:			
- Sales of products	(i)	**53,917**	36,802
- Advances	(iv)	**–**	2,130
- Interest income	(iii)	**108**	789
- Loan		**–**	2,648
- Purchase of products		**–**	3,682
Secretarial fees payable to a foreign subsidiary's director		**28**	30

Company	Note	2010 RM'000	2009 RM'000
Subsidiaries:			
- Purchase of products	(ii)	**520,031**	419,149
- Interest income	(iii)	**3,423**	6,140
- Management fee received		**2,160**	377
- Advances	(iv)	**3,136**	3,051
- Rental paid		**1,801**	1,796
- Interest expense		**42**	82
- Dividend		**5,445**	42,679
Associates/jointly controlled entity:			
- Sales of products	(i)	**53,917**	36,802
- Advances	(iv)	**–**	2,130
- Interest income	(iii)	**108**	789
- Loan		**–**	2,648
- Purchase of products		**–**	3,682
- Dividend		**28**	28
- Management fee charged		**–**	3,672
- Advances	(v)	**–**	574

*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 Group. 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 jointly controlled entity. Further details are disclosed in Note 24 (b) and (c).

(iv) Advance to subsidiaries and loan to associates and jointly controlled entity are subject to interest charged as disclosed in Note 24 (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 and 2010 are disclosed in Note 24 and Note 29.

37. Related party disclosures (cont'd)

(b) Compensation of key management personnel

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits	**7,925**	4,635	**2,961**	426
Post-employment benefits:				
- Defined contribution plan	**941**	281	**407**	–

Included in the total compensation of key management personnel are:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 4)	**2,493**	961	**1,750**	426

38. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk and market price risk.

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 interest rate risks, foreign currency risk, liquidity risk, credit risk and commodity price risk. The policies for managing each of these risks are summarised below.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's 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 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.

38. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

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

Group	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
At 31 December 2010								
Fixed rate								
Amount due from a jointly controlled entity	24	**4.00**	**–**	**–**	**–**	**2,607**	**–**	**2,607**
Floating rate								
Cash and bank balances	26	**0.58 - 2.95**	**36,998**	**–**	**–**	**–**	**–**	**36,998**
Short term trade financing	28	**1.25 - 1.58**	**40,321**	**–**	**–**	**–**	**–**	**40,321**
Bankers' acceptances	28	**3.27 - 3.74**	**508,109**	**–**	**–**	**–**	**–**	**508,109**
Revolving credits	28	**1.90 - 3.70**	**40,176**	**15,453**	**15,453**	**7,725**	**–**	**78,807**
Term loans	28	**1.90 - 4.65**	**30,042**	**29,854**	**13,907**	**–**	**–**	**73,803**
Company								
31 December 2010								
Fixed rate								
Amount due from a jointly controlled entity	24	**4.00**	**–**	**–**	**–**	**2,607**	**–**	**2,607**
Amount due from subsidiaries		**3.00 - 4.00**	**94,239**	**–**	**–**	**–**	**–**	**94,239**
Floating rate								
Cash and bank balances	26	**0.58 - 2.95**	**16,697**	**–**	**–**	**–**	**–**	**16,697**
Short term trade financing	28	**1.25 - 1.58**	**40,321**	**–**	**–**	**–**	**–**	**40,321**
Bankers' acceptances	28	**3.27 - 3.74**	**508,109**	**–**	**–**	**–**	**–**	**508,109**
Revolving credits	28	**1.90**	**12,362**	**15,453**	**15,453**	**7,725**	**–**	**50,993**
Term loans	28	**1.90 - 4.65**	**9,181**	**4,357**	**–**	**–**	**–**	**13,538**

38. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

Group	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
At 31 December 2009								
Fixed rate								
Amount due from a jointly controlled entity	24	4.00	–	–	–	–	2,648	2,648
Floating rate								
Cash and bank balances	26	0.10 - 3.05	38,663	–	–	–	–	38,663
Short term trade financing	28	0.75 - 1.95	209,275	–	–	–	–	209,275
Bankers' acceptances	28	2.33 - 3.46	263,807	–	–	–	–	263,807
Revolving credits	28	2.32	8,574	13,718	17,148	17,148	8,573	65,161
Term loans	28	2.33 - 4.90	27,864	33,008	33,128	15,432	–	109,432
Amount due to an associate	29	2.20	500	–	–	–	–	500

Company	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
At 31 December 2009								
Fixed rate								
Amount due from a jointly controlled entity	24	4.00	–	–	–	–	2,648	2,648
Amount due from subsidiaries		3.00 - 4.00	92,829	–	–	–	–	92,829
Floating rate								
Cash and bank balances	26	0.10 - 3.05	23,730	–	–	–	–	23,730
Short term trade financing	28	0.75 - 1.95	209,275	–	–	–	–	209,275
Bankers' acceptances	28	2.33 - 3.46	263,807	–	–	–	–	263,807
Revolving credits	28	2.32	8,574	13,718	17,148	17,148	8,573	65,161
Term loans	28	2.33 - 4.90	9,859	9,859	4,834	–	–	24,552
Amount due to an associate	29	2.20	500	–	–	–	–	500

38. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

The Group and the Company have an Interest Rate Swap Contract with a bank to swap the interest payments from a floating rate borrowing to fixed rate in US Dollar as follows:

Notional Amount (USD Million)	:	16.5
Maturity Period	:	March 2014
Receive Floating Interest Rate	:	3 months London Inter-bank Offer Rate
Pay Fixed Interest Rate	:	2.47%

The table below demonstrates the sensitivity to a possible reasonable change in interest rates with all other variables held constant, of the Group's profit net of tax through the impact on interest income from bank deposits and interest expense on floating rate borrowings:

	Increase/ Decrease in basis point	Effect on profit net of tax RM'000
31 December 2010		
- Malaysian Ringgit	**+25**	**(926)**
	-25	**926**
- United States Dollar	**+25**	**(342)**
	-25	**342**
31 December 2009		
- Malaysian Ringgit	+25	(467)
	-25	467
- United States Dollar	+25	(553)
	-25	553

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has exposure to fluctuations in foreign exchange rates in both the investment in foreign entities and business transactions. The Group has foreign exchange risk exposure mainly in United States Dollar, Australian Dollar and Indonesian Rupiah. 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 Group also uses forward foreign exchange contracts to hedge its exposure to foreign exchange risk.

As at reporting date, approximately:

(i) 93% (2009: 72%) of the Group's trade and other receivables as well as 70% (2009: 65%) of the Group's trade and other payables are denominated in foreign currencies, mainly in United States Dollar, Indonesia Rupiah, Singapore Dollar and Australia Dollar.

(ii) 60% (2009: 53%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar, Indonesia Rupiah and Australia Dollar.

(iii) 27% (2009: 58%) of the Group's borrowings are denominated in United States Dollar.

38. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk (cont'd)

At 31 December 2010, the Group held forward currency contracts designated as hedges of expected future sales to customers in United States Dollar for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting had previously been used, which are no longer expected to occur. The ineffectiveness recognised in profit or loss for the current year was RM212,000 (see Note 34(i)).

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealised gain of RM950,000 with a deferred tax liability of RM238,000 relating to the hedging instruments is included in other comprehensive income. (see Note 34(i)).

The amounts retained in other comprehensive income at 31 December 2010 are expected to mature and affect profit or loss by a gain of RM712,000 (see Note 31) in 2011.

The following table demonstrates the sensitivity of the Group's profit net of tax and equity at the reporting date to a possible reasonable change in the United States Dollar ("USD"), Indonesia Rupiah ("IDR") and Australia Dollar ("AUD").

		2010		**2009**	
		Profit net of tax RM'000	**Equity RM'000**	**Profit net of tax RM'000**	**Equity RM'000**
USD	strengthened 5%	**2,167**	**4,760**	(5,782)	(1,716)
	weakened 5%	**(740)**	**(4,758)**	5,782	1,716
AUD	strengthened 5%	**34**	**192**	11	239
	weakened 5%	**(34)**	**(189)**	(11)	(239)
IDR	strengthened 5%	**(408)**	**(408)**	(416)	(416)
	weakened 5%	**450**	**450**	460	460

38. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group 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.

The following summarises the maturity profile of the Group's and the Company's financial liabilities used for managing liquidity risk at the reporting date based on contractual undiscounted payments:

Group	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
31 December 2010				
Financial liabilities:				
Non-derivative				
Borrowings	28	**618,648**	**82,392**	**701,040**
Interest payable on borrowings		**4,624**	**2,355**	**6,979**
Trade payables	29	**53,369**	**–**	**53,369**
Other payables	29	**92,697**	**–**	**92,697**
Amount or loan due to holding company	29	**109**	**–**	**109**
Derivative				
Foreign currency forward contracts	34	**1**	**–**	**1**
Interest rate swaps	34	**–**	**1,375**	**1,375**
Total undiscounted financial liabilities		**769,448**	**86,122**	**855,570**
31 December 2009				
Financial liabilities:				
Non-derivative				
Borrowings	28	509,520	138,155	647,675
Interest payable on borrowings		6,666	8,868	15,534
Trade payables	29	27,981	–	27,981
Other payables	29	49,290	–	49,290
Amount or loan due to associates	29	534	–	534
Total undiscounted financial liabilities		593,991	147,023	741,014

38. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

Company	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
31 December 2010				
Financial liabilities:				
Non-derivative				
Borrowings	28	**569,973**	**42,988**	**612,961**
Interest payable on borrowings		**1,529**	**975**	**2,504**
Trade payables	29	**35,735**	**–**	**35,735**
Other payables	29	**25,376**	**–**	**25,376**
Amount and loan due to holding company	29	**109**	**–**	**109**
Amount and loan due to subsidiaries	29	**23,264**	**–**	**23,264**
Derivative				
Foreign currency forward contracts	34	**1**	**–**	**1**
Interest rate swaps	34	**–**	**1,375**	**1,375**
Total undiscounted financial liabilities		**655,987**	**45,338**	**701,325**
31 December 2009				
Financial liabilities:				
Non-derivative				
Borrowings	28	491,515	71,280	562,795
Interest payable on borrowings		2,796	2,835	5,631
Trade payables	29	19,765	–	19,765
Other payables	29	16,747	–	16,747
Amount and loan due to holding company	29	–	–	–
Amount and loan due to subsidiaries	29	23,668	–	23,668
Amount or loan due to associates	29	500	–	500
Total undiscounted financial liabilities		554,991	74,115	629,106

Financial guarantees

At the reporting date, the counterparties to the bank guarantees and standby letter of credit issued as guarantee for bank facilities utilized by a subsidiary do not have a right to demand cash as the default has not occurred. Accordingly, these financial guarantees under the scope of FRS139 are not included in the above maturity analysis.

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

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

38. Financial risk management objectives and policies (cont'd)

(d) Credit risk (cont'd)

Exposure to credit risk
At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

– The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

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

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

– A standby letter of credit issued as guarantee for bank facilities amounting to RM88.1 million (USD28.5 million) utilized by a subsidiary.

The Group has a concentration of credit risk that may arise from exposures to a single debtor which constitutes approximately 22.5% (2009: 15.3%) of its trade receivables and 26.8% (2009: 41.4%) of its other receivables.

The Group and the Company determine concentrations of credit risk by monitoring the country profile of its trade and other receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's current and non-current trade and other receivables (excluding deposits) at the reporting date is as follows:

	2010		**2009**	
Group	**RM'000**	**% of total**	**RM'000**	**% of total**
By country:				
Australia	**19,406**	**7**	29,471	15
Canada	**979**	**–**	3,927	2
China, including Hong Kong and Taiwan	**10,957**	**4**	7,587	4
Indonesia	**173,474**	**67**	89,818	45
Malaysia	**18,202**	**7**	14,802	7
Philippines	**2,621**	**1**	2,648	1
Singapore	**7,122**	**3**	13,215	7
South Africa	**17,110**	**7**	16,568	8
United Kingdom	**160**	**–**	–	–
United States	**–**	**–**	17,165	9
Others	**9,071**	**4**	4,605	2
	259,102	**100**	199,806	100
Compamy				
By country:				
Australia	**20,037**	**8**	29,680	12
Canada	**979**	**–**	3,927	2
China, including Hong Kong and Taiwan	**10,957**	**5**	7,455	3
Indonesia	**146,320**	**57**	143,825	55
Malaysia	**39,507**	**16**	35,695	14
Philippines	**2,621**	**1**	2,648	1
Singapore	**7,137**	**3**	12,936	5
South Africa	**17,110**	**7**	16,568	6
United Kingdom	**150**	**–**	–	–
Others	**9,071**	**3**	4,609	2
	253,889	**100**	257,343	100

38. Financial risk management objectives and policies (cont'd)

(e) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs. The Group is exposed to commodity price risk 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.

At the reporting date, there was no outstanding forward tin sales contract. At 31 December 2009 in relation to forward tin sales contracts, if the forward tin price had increased by 5 percent, with all other variables held constant, profit net of tax for the year and other components of equity would have been RM1,205,000 and RM6,921,000 lower respectively. Conversely, if the forward tin prices had decreased by 5 percent with all other variables held constant, profit net of tax and other components of equity would have been RM1,809,000 and RM6,320,000 higher respectively.

(f) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instrument outside Malaysia is listed on Australian Securities Exchange in Australia. This instrument is classified as available-for-sale financial asset.

At the reporting date, if the share price has been 5% higher, with all other variables held constant, the Group's AFS reserves in equity would have been RM2,000 higher. If the share price has been 5% lower, with all other variables held constant, the Group's profit net of tax would have been RM2,000 lower, arising from impairment loss on the investment in equity instrument.

(g) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the various core businesses. The Group allocates the amount of capital in proportion to risk, manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or increase borrowings. The Group monitors the return of capital, which is defined as total shareholders' equity (excluding minority interests), and gearing ratio, which is defined as total borrowings over the tangible networth (total equity less intangible assets).

The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Company is subject to bank covenant to maintain a Group Gearing ratio (total bank borrowings : tangible networth) of not more than 3.0.

38. Financial risk management objectives and policies (cont'd)

(g) Capital management (cont'd)

	Group	
	2010	**2009**
	RM'000	**RM'000**
Share capital	**75,000**	75,000
Retained earnings	**199,940**	284,390
Other reserves	**(6,883)**	8,457
Reserve of disposal group classified as held for sale	**(3,256)**	–
Total shareholders' equity	**264,801**	367,847
Minority interests	**42,624**	69,528
Total equity	**307,425**	437,375
Intangible assets (Note 17)	**1,547**	7,849
Tangible networth	**305,878**	429,526
Total borrowings (Note 28)	**701,040**	647,675
Gearing ratio	**2.3**	1.5

39. Fair values of financial instruments

(a) Determination of fair value

Fair value of financial instruments that are carried at fair value

Quoted equity instruments
Fair value is determined directly by reference to their published market bid price at the reporting date.

Unquoted equity instruments
These investments are valued using valuation models which use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Derivatives
Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. These contracts are valued by financial institutions.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (non-current)	24
Trade and other receivables (current)	24
Trade and other payables (current)	29
Borrowings (current)	28
Borrowings (non-current)	28

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the non-current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

40. Segmental information

The revenue of the Group is derived from tin mining and smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sales and delivery of refined tin metal and by-products.

For management purposes, the Group is organised into business units based on geographical areas, and has three reportable operating segments as follows:

(a) Malaysia

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

(b) Indonesia

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

(c) Australia

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

(d) Others

The operations of subsidiaries and associates in British, Singapore, Philippines , China and Vietnam have been aggregated to form a reportable operating segment.

40. Segmental information (cont'd)

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before tax.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. These intercompany transactions are eliminated on consolidation.

Geographical segments

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

	Note	Malaysia RM'000	Indonesia RM'000	Australia RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2010							
Revenue							
Sales to external customers		2,726,985	11,849	–	–	–	2,738,834
Inter-segment sales		–	414,066	–	–	(414,066)	–
Total revenue		2,726,985	425,915	–	–	(414,066)	2,738,834
Results							
Profit/(Loss) from operations		85,121	15,929	(2,235)	(1,614)	(3,202)	93,999
Finance costs		(18,645)	(6,496)	–	–	2,775	(22,366)
Share of profit/(loss) of associates and jointly controlled entity		2,842	(3,883)	(3,860)	9,283	–	4,382
Profit/(Loss) before exceptional gains/(losses)		69,318	5,550	(6,095)	7,669	(427)	76,015
Exceptional gains/(losses), net		(657)	(39,833)	(47,062)	(66,926)	–	(154,478)
Profit/(Loss) before tax		68,661	(34,283)	(53,157)	(59,257)	(427)	(78,463)
Income tax expense		(22,054)	179	–	–	107	(21,768)
Profit/(Loss), net of tax		46,607	(34,104)	(53,157)	(59,257)	(320)	(100,231)
Assets							
Segment assets		662,817	403,196	7,278	45	(2,228)	1,071,108
Investment in associates and jointly controlled entity		20,307	–	–	128,232	–	148,539
Total assets		683,124	403,196	7,278	128,277	(2,228)	1,219,647
Liabilities							
Segment liabilities		696,397	212,761	1,513	1,551	–	912,222
Total liabilities		696,397	212,761	1,513	1,551	–	912,222

40. 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
Other segment information							
Additions of non-current assets							
- Property, plant and equipment	15	**10,833**	**14,255**	**–**	**–**	**–**	**25,088**
- Intangible and other assets	17/21	**2,821**	**35,610**	**136**	**–**	**–**	**38,567**
Depreciation	15	**3,986**	**12,477**	**3**	**–**	**–**	**16,466**
Amortisation of prepaid land lease payments	16	**43**	**28**	**–**	**–**	**–**	**71**
Amortisation of mining rights	17	**539**	**–**	**–**	**–**	**–**	**539**
Amortisation of corporate club membership	17	**19**	**–**	**–**	**–**	**–**	**19**
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	21	**757**	**11,806**	**–**	**–**	**–**	**12,563**
Deferred exploration and evaluation expenditure written-off	21	**–**	**2,180**	**474**	**–**	**–**	**2,654**
Other significant non-cash expenses:							
Provision for mine rehabilitation	27	**–**	**5,855**	**–**	**–**	**–**	**5,855**
Provision for severance benefits	27	**–**	**8,544**	**–**	**–**	**–**	**8,544**
Reversal of write down of tin slag inventory no longer required		**–**	**(7,860)**	**–**	**–**	**–**	**(7,860)**
Interest income		**(9,151)**	**(59)**	**(9)**	**–**	**2,845**	**(6,374)**

40. 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							
Revenue							
Sales to external customers		1,825,205	26,515	–	–	–	1,851,720
Inter-segment sales		–	343,639	–	–	(343,639)	–
Total revenue		1,825,205	370,154	–	–	(343,639)	1,851,720
Results							
Profit/(Loss) from operations		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 and jointly controlled entity		(293)	–	6,337	(5,823)	–	221
Profit/(Loss) before exceptional gains/(losses)		81,647	(1,742)	6,585	(6,063)	(35,591)	44,836
Exceptional gains/(losses), net		–	–	–	65,004	–	65,004
Profit/(Loss) before tax		81,647	(1,742)	6,585	58,941	(35,591)	109,840
Income tax expense		(16,565)	(25,810)	–	–	1,210	(41,165)
Profit/(Loss), net of tax		65,082	(27,552)	6,585	58,941	(34,381)	68,675
Assets							
Segment assets		514,945	429,202	8,674	1,717	(1,908)	952,630
Investment in associates and jointly controlled entity		17,485	–	67,910	193,527	–	278,922
Total assets		532,430	429,202	76,584	195,244	(1,908)	1,231,552
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

40. 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
Other segment information							
Additions of non-current assets							
- Property, plant and equipment	15	4,239	14,187	–	–	–	18,426
- Prepaid land lease payments	16	112	–	–	–	–	112
- Intangible and other assets	17/21	1,142	35,468	1,160	–	–	37,770
Depreciation	15	5,160	8,300	–	–	–	13,460
Amortisation of prepaid land lease payments	16	58	31	–	–	–	89
Amortisation of mining rights	17	2,938	–	–	–	–	2,938
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	21	849	8,708	–	–	–	9,557
Deferred exploration and evaluation expenditure written-off	21	–	1,469	–	–	–	1,469
Other significant non-cash expenses:							
Provision for mine rehabilitation	27	509	752	–	–	–	1,261
Provision for severance benefits	27	–	4,623	–	–	–	4,623
Reversal of write down of tin slag inventory no longer required		–	(6,915)	–	–	–	(6,915)
Interest income		(11,779)	(91)	(4)	–	4,588	(7,286)

40. Segmental information (cont'd)

The following items are added to/(deducted from) segment profit/(loss) before tax to arrive at profit before tax as disclosed in consolidated income statement:

	Group 2010 RM'000	Group 2009 RM'000
Elimination of unrealised profits on the inventories on hand and its deferred tax arising from inter-segment purchases	**(427)**	(3,802)
Elimination of inter-segment dividend income	**–**	(31,789)
	(427)	(35,591)

The following items are added to/(deducted from) segment assets to arrive at total assets as disclosed in consolidated statement of financial position:

	Group 2010 RM'000	Group 2009 RM'000
Elimination of unrealised profits on the inventories on hand and its deferred tax arising from inter-segment purchases	**(2,228)**	(1,908)

Information about major customers

Revenue from one major customer amount to RM402,157,000 (2009: RM434,870,000), arising from sales by Malaysia segment.

41. Significant events

The following significant events occurred during the financial year ended 31 December 2010:

(a) 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 8.02(1) of Bursa Malaysia Listing Requirements, pursuant to a substantial shareholder notice received from Siong Lim Private Limited on 18 September 2008. On 17 September 2010, Bursa Malaysia has further granted extension of time up to 22 March 2011 for the Company to comply with the public shareholding spread requirement pursuant to paragraph 8.02(1) of Bursa Malaysia Listing Requirements.

On 30 November 2010, the Company announced that subsequent to the sale of 1,342,600 shares (representing 1.79% of the Company's issued and paid up capital) by Siong Lim Private Limited, the Company is pleased to advise that 25.18% of the Company's total number of shares are in the hands of public shareholders.

Accordingly, the Company is in compliance with the requirements stipulated in paragraph 8.02 (1) of Bursa Malaysia's Listing Requirements.

(b) 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 wholly-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. Oberthur has until 31 March 2011 to complete the transaction.

(c) In January 2010, the Company subscribed for an additional 10,750,000 new common shares amounting to approximately RM3.52 million in Asian Mineral Resources Ltd (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.

On 7 January 2011, the Company did not exercise its warrants in AMR resulting in its shareholding in AMR being diluted from 18.22% to 15.42%.

41. Significant events (cont'd)

(d) On 22 July 2010, the Company entered into a Share Purchase and Call Option Deed with Bendigo Mining Limited ("Bendigo") relating to the sale of 45,000,000 ordinary shares in BCD at AUD0.115 per BCD share and a grant of a call option over a further 39,000,000 BCD shares to Bendigo for a consideration of 0.72 Bendigo share per BCD share. The balance of 6,000,000 BCD shares may be divested by the Company in due course. The sale of 45,000,000 BCD shares to Bendigo was completed on 26 July 2010.

The Call Option was not exercised and expired on 30 November 2010. On 27 December 2010, the Company announced that it had disposed of its entire 45,000,000 BCD shares by 21 December 2010. With this disposal, the Company ceased to be a shareholder of BCD.

(e) On 11 August 2010, the Company announced that it has acquired the entire interest in Straits Resource Management Private Limited ("SRM") from its holding company, The Straits Trading Company Limited for a total consideration of SGD332,591. The entire interest comprises the issued and paid-up capital of SRM and its wholly-owned subsidiary, PT SRM Indonesia and the assignment of outstanding shareholders' advances from the holding company amounting to SGD332,590 as at 31 July 2010 to the Company. SRM was incorporated in Singapore.

(f) On 27 December 2010, the Company announced that it had entered into a Share Sale and Purchase Agreement with TMR Ltd ("TMR"), a Bermuda incorporated company, for the sale of 120,000 ordinary shares of USD1.00 each, representing 40.0% of the total issued and paid-up shares in PT Tenaga Anugerah ("PT TA"). The consideration of USD5,515,790 was based on the revalued PT TA net tangible assets, on a willing seller-willing buyer basis and was satisfied by allotment and issue of 27,578,950 shares of USD0.20 each in TMR. Concurrently, MSC also entered into a novation agreement with PT TA and TMR for novation of MSC's loan from PT TA to TMR amounting to USD5,507,352, in exchange of new 27,536,760 shares at USD0.20 each issued to MSC.

With the completion of this exercise on 23 November 2010, MSC owns 55,115,710 TMR shares valued at USD0.20 per share which represent 18.54% of TMR's enlarged share capital. TMR in turn has 99% shareholding in PT TA.

(g) On 15 September 2010, the Company (MSC) announced that the Board has appointed CIMB Investment Bank Berhad (CIMB) and CIMB Bank Berhad Singapore Branch (CIMB Singapore Branch) to advise the Board on a proposal for a secondary listing of ordinary shares of RM1.00 each in MSC on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

On 15 October 2010, on behalf of the Board of Directors of MSC, CIMB announced that MSC proposes to undertake the following:

(i) Proposed issuance of between 12.50 million to 25.00 million new ordinary shares of RM1.00 each in MSC and made available to the retail investors in Singapore and/or institutional and selected investors ("Proposed Public Issue"); and

(ii) Proposed secondary listing of the entire enlarged issued and paid-up share capital of MSC on the Main Board of the SGX-ST in conjunction with the Proposed Public Issue ("Proposed Secondary Listing").

On 14 December 2010, the Ministry of International Trade and Industry (MITI) approved the Proposed Secondary Listing and granted MSC one year from the date of the letter to comply with the equity requirement. Details of the equity requirement are stated in Note 30 of the financial statements.

On 24 December 2010, the Securities Commission had approved the Proposed Secondary Listing.

On 28 December 2010, the Proposed Public Issue and Proposed Secondary Listing were approved by the shareholders of the Company at the Extraordinary General Meeting held on 28 December 2010.

On 29 December 2010, the Company received a conditional letter of eligibility-to-list from the SGX-ST for the listing and quotation of the entire enlarged issued and paid-up share capital of MSC on the Main Board of the SGX-ST.

On 30 December 2010, the preliminary prospectus in relation to the Proposed Secondary Listing has been lodged with the Monetary Authority of Singapore ("MAS").

42. Subsequent events

The following events occurred subsequent to the end of the financial year ended 31 December 2010:

(a) On 7 January 2011, the Company did not exercise its warrants in Asian Mineral Resources Limited ("AMR") resulting in its shareholding in AMR being diluted from 18.22% to 15.42%.

(b) On 17 January 2011, Bursa Securities conditionally approved the listing and quotation of up to 25 million new MSC shares to be issued pursuant to the Proposed Public Issue in relation to the Proposed Secondary Listing in SGX-ST.

On 21 January 2011, on behalf of MSC, CIMB announced that the issue price of the public offering shares pursuant to the public issue has been fixed at SGD1.75 per MSC share, or in Ringgit Malaysia equivalent of approximately RM4.165 per MSC Share (based on RM/SGD exchange rate of 2.3800).

The public issue consists of:

(i) A public offer of 1,000,000 public offering shares in Singapore; and

(ii) A placement of 24,000,000 public offering shares to investors, including institutional and other investors in Singapore.

On 26 January 2011, a total of 25,000,000 offering shares have been allotted and issued which resulted in the increase of the enlarged issued and paid-up share capital of MSC to RM100,000,000 comprising 100,000,000 MSC shares.

On 27 January 2011, the Secondary Listing has been completed following the listing of and quotation for the entire enlarged issued and paid-up share capital of MSC of RM100,000,000 comprising 100,000,000 MSC shares on the Main Board of SGX-ST.

43. Prior year adjustment

The Group completed the acquisition of the jointly controlled entity during the financial year ended 31 December 2009. In prior year, the fair values of the assets and liabilities arising from the acquisition of this jointly controlled entity have been determined on a provisional basis. The fair values of the assets and liabilities have subsequently been finalised.

Consequently, comparative amounts for the following items as at 31 December 2009 have been restated as follows:

Group	Previously stated RM'000	Purchase price allocation of investment in jointly controlled entity RM'000	Restated RM'000
Exceptional gains, net	–	65,004	65,004
Investment in associates and jointly controlled entity	213,918	65,004	278,922
Retained earnings	219,386	65,004	284,390

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 16 March 2011.

45. Breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM'000	Company RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	92,800	71,294
- Unrealised	10,720	5,181
	103,520	76,475
Total share of retained profits from associated companies:		
- Realised	(6,944)	–
- Unrealised	(23)	–
Total share of retained profits from jointly controlled entity:		
- Realised	12,519	–
- Unrealised	(128)	–
	108,944	76,475
Add: Consolidation adjustments	90,996	–
Retained profits as per financial statements	199,940	76,475

Reconciliations of Malaysia FRSs with Singapore FRSs

For statutory reporting purposes in Malaysia, the Group and the Company continue to prepare consolidated financial statements in accordance with Malaysia Financial Reporting Standards ("FRSs"). The reconciliations between Malaysia FRSs and Singapore FRSs are prepared as the Company is required to lodge its annual report with the Singapore Exchange Securities Trading Limited (SGX-ST) following the completion of its secondary listing on the Main Board of SGX-ST on 27 January 2011. The reconciliation statement below has been presented for illustrative purpose only and is not intended to form part of the financial statements of the Group and the Company.

Malaysia FRSs vary in certain respect from Singapore FRSs. The application of Singapore FRSs that affected the preparation and presentation of the consolidated financial statements is discussed below.

(a) Classification of non-current borrowings

There is a requirement under Singapore FRS 1, *Presentation of Financial Instruments (Revised)* in relation to the classification of borrowings whereby the liabilities which are not scheduled for repayment within twelve months after the reporting period, but may be callable by the lender at any time without cause, shall be classified as current liabilities in its entirety. This is so unless there is a letter from bank to waive its right to demand for repayment from the Company for the next twelve months.

Malaysia Institute of Accountant has not adopted this requirement. As such, the portion of the bank borrowings of the Group repayable in installments which are scheduled to be made after twelve months were reflected as non-current liabilities in the Financial Statements even though the loan facility agreements for these borrowings include overriding repayment on demand clauses, which give the banks the right to demand repayment at any time, at their sole discretion and irrespective of whether a default event has occurred (i.e. callable term loans).

For the financial year ended 31 December 2010, the Group obtained letters from banks stating that they do not contemplate exercising the rights of recalling or cancelling the bank borrowings for the next twelve months from reporting date unless a default event has occurred. As such, the Group's bank borrowings which are scheduled to be repayable after twelve months can continue to be classified under non-current liabilities under Singapore FRSs. Thus, there is no difference between Malaysia FRSs and Singapore FRSs with regards to classification of non-current borrowings as at 31 December 2010.

(b) Adoption of FRS 39, Financial Instruments: Recognition and Measurement

Singapore FRS 39, Financial Instruments: Recognition and Measurement, which is effective for financial years beginning on or after 1 January 2005, establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The equivalent FRS139: Financial Instruments: Recognition and Measurement is adopted in Malaysia for financial periods beginning on or after 1 January 2010. As such, there is no difference between Malaysia FRSs and Singapore FRSs in relation to adoption of this FRS in the financial year 2010.

The following is the summary of reconciliation from Malaysia FRSs to Singapore FRSs:

Group	Note	Malaysia FRSs RM'000	Reconciliation RM'000	Singapore FRSs RM'000
2009				
Income statement				
Other income	(b)	9,281	(4,370)	4,911
Other expenses	(b)	(51,328)	(54)	(51,382)
Profit before tax	(b)	109,840	(4,424)	105,416
Income tax expense	(b)	(41,165)	1,184	(39,981)
Profit net of tax	(b)	68,675	(3,240)	65,435
Attributable to:				
Owners of the parent, net of tax	(b)	72,358	(2,922)	69,436
Minority interests, net of tax	(b)	(3,683)	(318)	(4,001)
		68,675	(3,240)	65,435
Statement of comprehensive income**				
Net fair value changes on available-for-sale investment securities	(b)	–	54	54
Net fair value changes on cash flow hedges	(b)	–	(5,167)	(5,167)
Other comprehensive income for the year, net of tax	(b)	(1,423)	(5,113)	(6,536)
Total comprehensive income for the year	(b)	67,252	(8,353)	58,899
Attributable to:				
Owners of the parent, net of tax	(b)	71,348	(6,308)	65,040
Minority interests, net of tax	(b)	(4,096)	(2,045)	(6,141)
		67,252	(8,353)	58,899

	Note	Malaysia FRSs RM'000	Reconciliation RM'000	Singapore FRSs RM'000
Statement of financial position				
Derivative financial instruments – current assets	(b)	–	804	804
Derivative financial instruments – current liabilities	(b)	–	14,856	14,856
Derivative financial instruments – non-current liabilities	(b)	–	829	829
Deferred tax assets	(b)	12,572	4,267	16,839
Deferred tax liabilities	(b)	20,434	201	20,635
Current borrowings	(a)	509,520	138,155	647,675
Non-current borrowings	(a)	138,155	(138,155)	–
Other reserves	(b)	8,457	(7,092)	1,365
Retained earnings	(b)	284,390	(2,514)	281,876
Minority interests	(b)	69,528	(1,209)	68,319

Company

2009
Income statement

	Note	Malaysia FRSs RM'000	Reconciliation RM'000	Singapore FRSs RM'000
Other income	(b)	916	(831)	85
Other expenses	(b)	(15,513)	(54)	(15,567)
Profit before tax	(b)	79,369	(885)	78,484
Income tax expense	(b)	(16,361)	208	(16,153)
Profit net of tax	(b)	63,008	(677)	62,331
Statement of comprehensive income**				
Net fair value changes on available-for-sale investment securities	(b)	–	54	54
Net fair value changes on cash flow hedges	(b)	–	4,083	4,083
Other comprehensive income for the year, net of tax	(b)	–	4,137	4,137
Total comprehensive income for the year	(b)	63,008	3,460	66,468

	Note	Malaysia FRSs RM'000	Reconciliation RM'000	Singapore FRSs RM'000
Company				
2009				
Statement of financial position				
Derivative financial instruments – current assets	(b)	–	804	804
Derivative financial instruments – current liabilities	(b)	–	14,856	14,856
Derivative financial instruments – non-current liabilities	(b)	–	829	829
Deferred tax assets	(b)	770	782	1,552
Current borrowings	(a)	491,515	71,280	562,795
Non-current borrowings	(a)	71,280	(71,280)	–
Other reserves	(b)	4,426	(2,075)	2,351
Retained earnings	(b)	191,192	(270)	190,922

** This information was previously included as part of the statements of changes in equity for the year ended 31 December 2009.

List of Properties of the Group

31 December 2010

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31.12.10 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	–	6 - over 50 years	26,022	2010
(b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	23 years	447	2010
(c) PT 686	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2069	NA	130	2010
2. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	11 years	2,150	2010
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	–	11 years	2,400	2010
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	10 years	4,000	2010
5. Lot 1203, Mukim 12 Daerah Seberang Perai Tengah	Vacant Land	0.422 acres	Freehold	–	NA	200	2010
6. Mukim Belukar Semang and Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 43 years	225	2010
(b) Lot 1886	Vacant Land	0.78 hectares	Freehold	–	–	11	2010
(c) Lot 1868, 2071, 2163*, 2546, 2547, 2548, 6489	Land with buildings	10.29 hectares	Leasehold	2009*-2062	29 - over 50 years	137	2010
INDONESIA							
7. PT Koba Tin Bangka Island	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	13 - 38 years	1,915	2010
8. PT MSC Indonesia Bangka Island	Land & Buildings	17,094 sq. ft.	Leasehold (Land Rights)	2034	16 - 21 years	883	2010
9. PT MSC Indonesia Bangka Island	Land & Buildings	215,278 sq. ft.	Leasehold (Land Rights)	2019	5 years	1,219	2010
AUSTRALIA							
10. Land at Lot 1 Marlborough Road Mount Gardiner QLD 4705	Vacant Land	33,521 hectares	Freehold	–	NA	50	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	2005	2006	2007	2008	2009	2010
Africa	1,257	1,340	957	937	220	65
Australia & New Zealand	127	249	21	28	66	_
China	40	560	220	317	806	315
EEC (incl. UK)	2,669	1,623	1,457	1,536	1,534	2,290
India, Pakistan & Bangladesh	794	1,141	1,521	1,490	811	240
Japan	2,063	1,985	2,639	3,780	1,650	1,669
Middle East	812	515	532	156	363	510
Taiwan	1,524	1,043	1,345	2,351	1,596	1,809
Korea	8,480	5,980	5,776	6,890	8,482	9,079
Rest of Asia-Pacific	56	–	–	292	150	360
Singapore	14,645	5,400	4,968	5,811	3,175	1,300
South America	–	–	–	–	–	–
USA	480	10	–	123	93	14
	32,947	**19,846**	**19,436**	**23,711**	**18,946**	**17,651**
Malaysia (for domestic consumption) * Include tin deliveries to LME warehouses in Pasir Gudang.	3,437	4,806	3,334	7,571	17,797	21,517
Total	**36,384**	**24,652**	**22,770**	**31,282**	**36,743**	**39,168**

LME and U.S DLA's STOCKS & DISPOSALS
(In tonnes)

Period End	LME Stocks *	DLA Stocks #	
2010		Opening stock at 1.1.10	4,020
1st Quarter	24,150		
2nd Quarter	17,435	Disposals during the year	–
3rd Quarter	12,495		
4th Quarter	16,375	Closing stock at 31.12.10	4,020

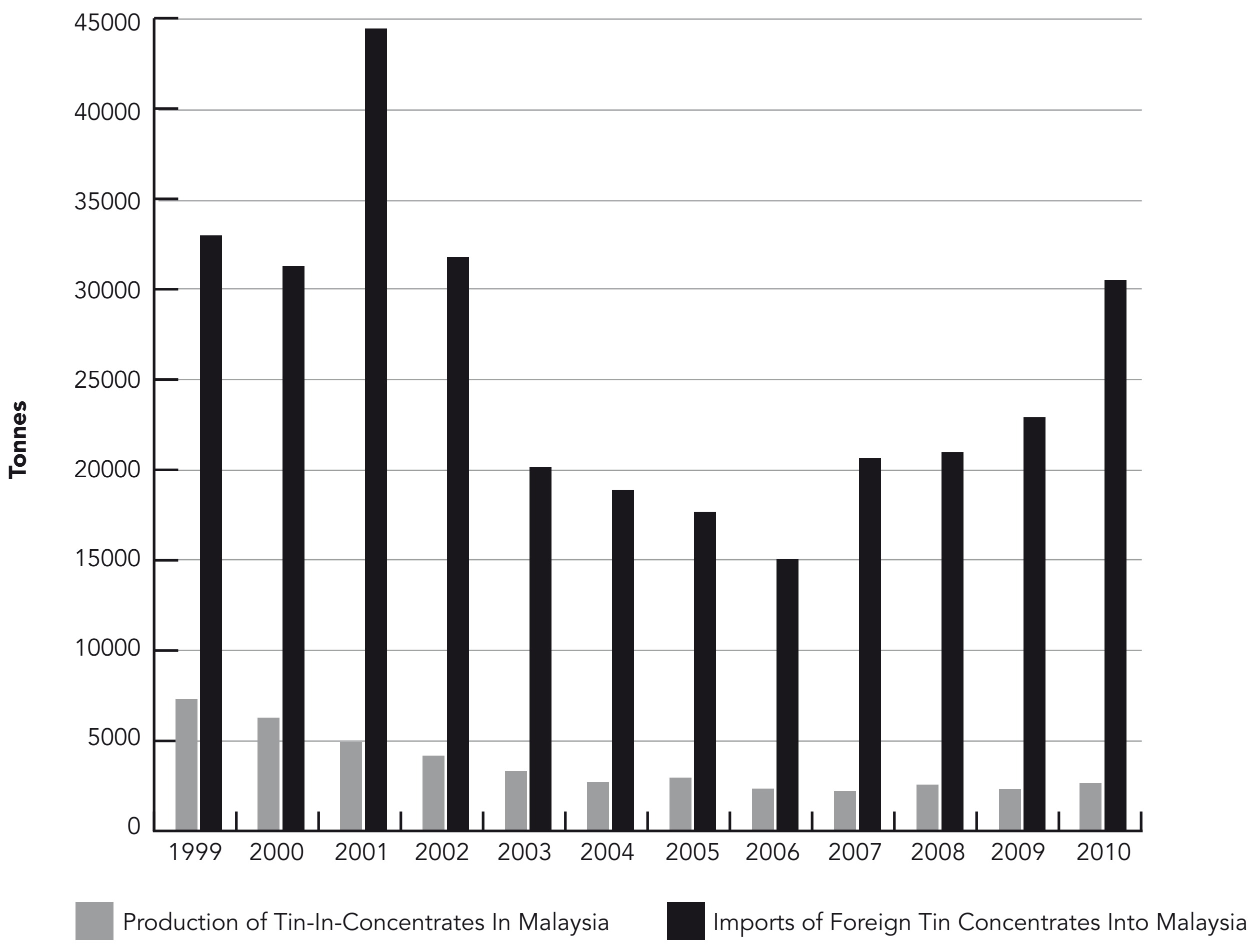
Sources: * Metal Bulletin
US Geological Survey - uncommitted stock

Tin Statistics (cont'd)

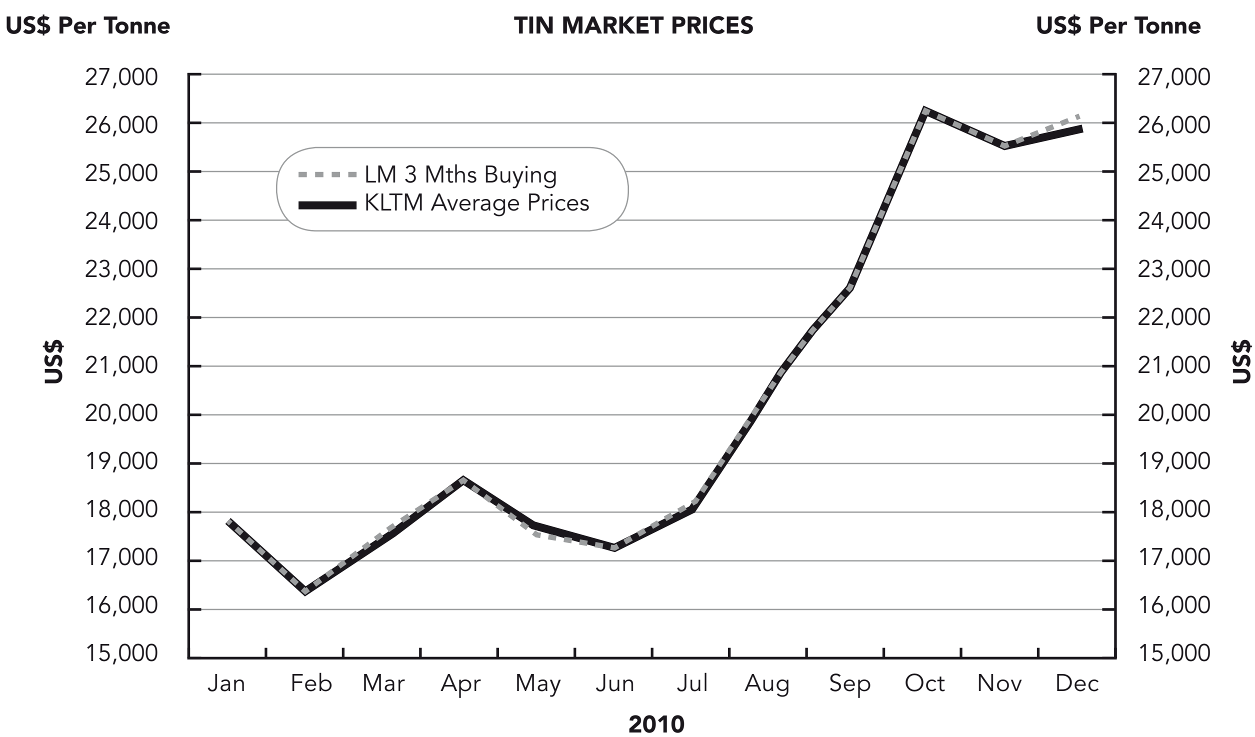
Production of Tin-In-Concentrates In Malaysia	
Year	Tonnes
1999	7,340
2000	6,307
2001	4,972
2002	4,215
2003	3,358
2004	2,746
2005	3,013
2006	2,398
2007	2,264
2008	2,606
2009	2,380
2010	2,668

Imports of Foreign Tin Concentrates Into Malaysia	
Year	Tonnes
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
2010	31,359

Malaysia Production and Import of Tin-In-Concentrates



	KLTM Prices Highest US$ (Per Tonne)	Lowest US$ (Per Tonne)	Average US$ (Per Tonne)	KLTM Turnover (Tonnes)	LME 3 Mths Buying Average US$ (Per Tonne)
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
2010	27,000	15,395	18,859	15,599	20,400
2010					
January	18,200	16,900	17,771	1,036	17,746
February	16,933	15,395	10,362	811	16,397
March	18,300	16,950	17,455	1,492	17,613
April	19,150	18,150	18,663	1,606	18,736
May	18,280	17,150	17,695	1,099	17,597
June	18,020	15,990	17,290	1,544	17,328
July	19,500	17,130	18,055	2,097	18,182
August	21,500	19,500	20,580	1,499	20,687
September	24,300	20,950	22,592	1,258	22,659
October	26,900	24,300	26,223	913	26,285
November	27,000	24,000	25,512	1,133	25,428
December	26,700	24,600	25,885	1,111	26,140



Shareholding Statistics
As at 21 March 2011

ANALYSIS BY SIZE OF SHAREHOLDINGS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
Less than 100	7	0.18	333	0.00
100 to 1,000	2,227	57.77	1,390,367	1.39
1,001 to 10,000	1,234	32.01	5,180,600	5.18
10,001 to 100,000	314	8.15	10,816,300	10.82
100,001 to less than 5% of issued shares	69	1.79	31,751,600	31.75
5% and above of issued shares	4	0.10	50,860,800	50.86
TOTAL	**3,855**	**100.00**	**100,000,000**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 21 MARCH 2011

	NAME	HOLDINGS	%
1	MAYBAN NOMINEES (ASING) SDN BHD FOR THE STRAITS TRADING COMPANY LIMITED	28,090,000	28.09
2	STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	10,073,900	10.07
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD FOR STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	7,300,600	7.30
4	MAYBAN NOMINEES (ASING) SDN BHD FOR SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	5.40
5	MAYBAN NOMINEES (ASING) SDN BHD FOR BAXTERLEY HOLDINGS PRIVATE LIMITED	3,700,000	3.70
6	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD FOR ICAPITAL.BIZ BERHAD	2,902,000	2.90
7	RAFFLES NOMINEES (PTE) LTD	2,218,000	2.22
8	HSBC (SINGAPORE) NOMINEES PTE LTD	1,568,400	1.57
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,500,000	1.50
10	GOH SOO LUAN	1,000,000	1.00
11	2G CAPITAL PTE LTD	897,500	0.90
12	DBS NOMINEES PTE LTD FOR THE BNY MELLON SA/NV	838,000	0.84
13	LEONG KOK TAI	757,700	0.76
14	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	670,000	0.67
15	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD. AJIB BIN HJ. ANUAR	650,000	0.65

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 21 MARCH 2011 (cont'd)

	NAME	HOLDINGS	%
16	TOH YEW KEONG	640,000	0.64
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	560,600	0.56
18	CIMB SECURITIES (SINGAPORE) PTE LTD FOR TAN JIN BEE ELIZABETH (MFS)	554,000	0.55
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD FOR LIM CHIEW AH	515,000	0.52
20	CIMB SECURITIES (SINGAPORE) PTE LTD FOR NG KOK HIN	500,000	0.50
21	HSBC (SINGAPORE) NOMINEES PTE LTD	467,000	0.47
22	CIMB SECURITIES (SINGAPORE) PTE LTD FOR CHUA MA YU	465,000	0.47
23	CHUA CHENG ANN	461,300	0.46
24	CIMB SECURITIES (SINGAPORE) PTE LTD FOR SEOW BAO SHUEN (MFS)	450,000	0.45
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	450,000	0.45
26	ALPHA SECURITIES PTE LTD	400,000	0.40
27	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD FOR LEE CHEOW YIN	400,000	0.40
28	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEN KHAI VOON	380,000	0.38
29	MAYBAN NOMINEES (TEMPATAN) SDN BHD FOR MAYBAN TRUSTEES BERHAD FOR SAHAM AMANAH SABAH	379,000	0.38
30	GK GOH STRATEGIC HOLDINGS PTE LTD	370,000	0.37

LIST OF SUBSTANTIAL SHAREHOLDERS

Name	Direct (No. of shares)	Percentage %	Deemed interest (No. of shares)	Percentage %
THE STRAITS TRADING COMPANY LIMITED	28,090,000	28.09	26,751,900	26.75
STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	17,374,500	17.37		
SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	5.40		
THE CAIRNS PRIVATE LIMITED			54,841,900	54.84
TECITY PRIVATE LIMITED			54,841,900	54.84
RAFFLES INVESTMENT PRIVATE LIMITED			54,841,900	54.84
AEQUITAS PRIVATE LIMITED			54,841,900	54.84
DR TAN KHENG LIAN			54,841,900	54.84

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 Wednesday, 27 April 2011 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO	RESOLUTIONS	FOR	AGAINST
1	Receive Report of the Directors and the Audited Financial Statements	N/A	
2	Declaration of Dividend		
3	Re-election of Director – En Razman Ariffin		
4	Re-election of Director – Mr Yeo Eng Kwang		
5	Re-election of Director – Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong		
6	Re-election of Director – Mr Mark Christopher Greaves		
7	Approval of Directors' Fees		
8	Reappointment of Auditors		
9	Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

Dated this ____________ day of ______________ 2011.

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

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50450 Kuala Lumpur
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Fax: (+603) 2166 6599

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