MSC

Malaysia Smelting Corporation Berhad

(43072-A)

ANNUAL REPORT 2011

Building on Success:

Developing Resources for the Future

BUILDING ON SUCCESS:
DEVELOPING RESOURCES FOR THE FUTURE

The year 2012 is earmarked as the year for the MSC Group to focus, commit and dedicate itself towards resource building for its future growth. Building on a solid foundation of 125 years of success, MSC would endeavour to continue to consolidate and strengthen the vertical integration of the various facets of its business as well as expand horizontally into new geographic locations. MSC would strive to increase its tin reserves and resources through exploration and at the same time expand its mining, mineral processing, smelting and marketing divisions by consolidating its expertise, management capabilities, information sharing and international networking.

The mathematical symbol 'greater than' has been interlaced as integral part of the design of this year's Annual Report and it signifies the Company's aspirations to surpass its past achievements and to continuously better itself.

As the Chinese proverb goes, "when planning for a year, plant corn; when planning for a decade, plant trees; when planning for life, educate and train people". So the crux of our resource building would be to develop our people so that they would be well-equipped to continue the mantle of excellence that our predecessors have set.

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.

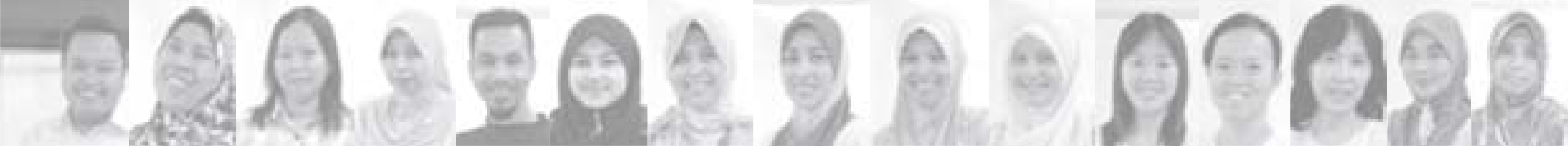
- We will provide the highest levels of service to all the Group's suppliers and customers by participating and contributing solutions and values in all stages of the world tin supply chains - mining, smelting, refining, recycling, products transformation, engineering and marketing;
- We will respond 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

CONTENTS



Corporate Information

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS
- Mr Norman Ip Ka Cheung *(Chairman)*
- Mr Lim Sit Chen Lam Pak Ng

EXECUTIVE DIRECTOR
- Dato' Seri Dr Mohd Ajib Anuar

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
- En Razman Ariffin

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS
- Mr Yeo Eng Kwang
- Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong
- Mr Chew Kwee San
- Mr Mark Christopher Greaves

COMPANY SECRETARY
- Cik Sharifah Faridah Abdul Rasheed (LS0008899)

MANAGEMENT
- Dato' Seri Dr Mohd Ajib Anuar
  (Group CEO/Executive Director)
- Mr Chua Cheong Yong
  (Deputy Group Chief Executive Officer/Group Chief Operating Officer, Smelting)
- Mr Yap Fook Ping
  (Group Chief Financial Officer)
- En Ir Mohamed Yakub Ismail
  (Group Chief Operating Officer, Mining/Senior General Manager, Rahman Hydraulic Tin Sdn Bhd)
- En Mohd Najib Jaafar
  (Head, Restructuring and Turnaround Operations – Indonesia)
- En Madzlan Zam
  (Head, Geology & Exploration)
- En Kamardin Md Top
  (Country Head, Indonesia/President Director, PT Koba Tin)
- Mr Raveentiran Krishnan
  (Group General Manager, Smelting)
- Mr Yap Kean Pang
  (General Manager, Marketing & Trading)

REGISTERED, CORPORATE & MARKETING OFFICE
B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel: (603) 2166 9260-1
Fax: (603) 2166 6599
www.msmelt.com

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

PT KOBA TIN OFFICE
Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No.2
Jakarta 10220, Indonesia
Tel: (62) (21) 251 1566
Fax: (62) (21) 251 1532
E-mail:kobatin@jkt.ptkoba.co.id
www.ptkoba.co.id

PT MSC INDONESIA OFFICE
Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No.2
Jakarta 10220, Indonesia
Tel: (62) (21) 5793 9120/1
Fax: (62) (21) 5793 9119

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

SHARE REGISTRARS
- MALAYSIA
  Symphony Share Registrars Sdn. Bhd.
  Level 6, Symphony House
  Pusat Dagangan Dana 1
  Jalan PJU 1A/46,
  47301 Petaling Jaya,
  Selangor, Malaysia
  Tel: (603) 7841 8000
  Fax: (603) 7841 8151/8152
- SINGAPORE
  Tricor Barbinder Share Registrar Services
  80 Robinson Road
  #02-00, Singapore 068898
  Tel: (65) 6236 3333
  Fax: (65) 6236 4399

AUDITORS
- Ernst & Young

BANKERS
- CIMB Bank Berhad
- Citibank Berhad
- Hong Leong Bank Berhad
- HSBC Bank Malaysia Berhad
- Malayan Banking Berhad
- OCBC Bank (Malaysia) Berhad
- Standard Chartered Bank Malaysia Berhad
- The Bank of Nova Scotia Berhad

STOCK EXCHANGE LISTING
- Bursa Malaysia Securities Berhad
- Singapore Exchange Securities Trading Limited

Corporate Profile

Malaysia Smelting Corporation Bhd ("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 2011, the Group produced approximately 46,599 tonnes of tin metal thus sustaining its global position as the second largest supplier of tin metal.

The Group's turnover in 2011 was RM3.1 billion. MSC is listed both on the Main Market of Bursa Malaysia since 15 December 1994 and the Main Board of Singapore Exchange (SGX-ST) since 27 January 2011, and is a 54.84% subsidiary of The Straits Trading Company Limited of Singapore.

The core business sectors of MSC are:
- International Smelting & Marketing
- Exploration, Mining & Mineral Processing

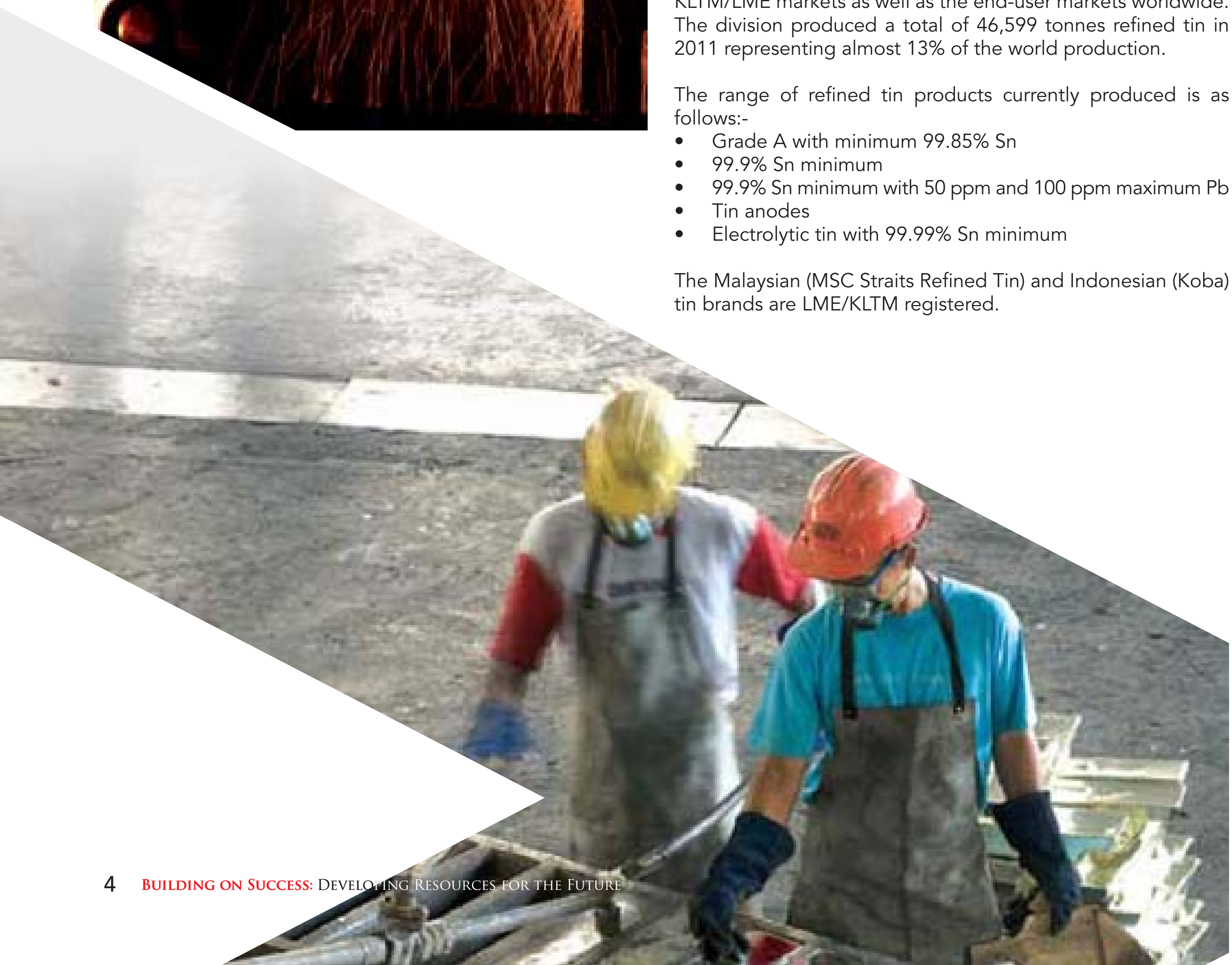
INTERNATIONAL SMELTING

The first smelting facility was established in Singapore in 1887 and the second facility was built in Butterworth in 1902. Both facilities ran concurrently for many years until the closure of the Singapore unit while the Butterworth unit was rebuilt and restarted in 1955 after it was heavily damaged during the Second World War. In 2002 the Company acquired PT Koba Tin in Indonesia and increased its reverberatory furnaces to four with an expanded smelting capacity of 25,000 tonnes per annum. Together with the Butterworth facility, the Division now has an overall smelting capacity of about 60,000 tonnes in two countries.

In the mid 90's the Group started a tin marketing and trading arm under the Smelting Division. The downstream unit provides the Group with hedging, pricing and marketing linkages to the KLTM/LME markets as well as the end-user markets worldwide. The division produced a total of 46,599 tonnes refined tin in 2011 representing almost 13% of the world production.

The range of refined tin products currently produced is as follows:-
- Grade A with minimum 99.85% Sn
- 99.9% Sn minimum
- 99.9% Sn minimum with 50 ppm and 100 ppm maximum Pb
- Tin anodes
- Electrolytic tin with 99.99% Sn minimum

The Malaysian (MSC Straits Refined Tin) and Indonesian (Koba) tin brands are LME/KLTM registered.



The Butterworth smelting facility uses the reverberatory furnace technology which is ideally suited for customs smelting. The smelting and refining operation has undergone significant technological, flow sheet and process changes and now has the capacity and capability of treating a wide variety of tin bearing materials.

Today the Butterworth facility takes in primary and secondary tin concentrates as well as crude tin metal from all over the world and is now the ***world's oldest and biggest custom tin smelter.***

The Butterworth customs smelting operation provides an efficient and reliable conversion outlet for tin concentrates production arising from today and future tin mining projects. It has good logistical infrastructure with its next door neighbour, the Penang International Container Terminal, providing excellent turnaround times for both import of tin bearing materials as well as export of refined tin to all corners of the world.

The Indonesian smelting unit currently smelts tin concentrates from its own mines' production and future utilization of its unused capacity will come both from the improvement in its own mines' production as well as from third parties under tolling arrangements.

The smelting units fully conform to environmental regulations in their respective locations with strict monitoring of effluent and atmospheric emission discharges. All intermediates and by-products generated are either recycled internally and/or sold as products to other recycling processors.

The quality of MSC's product is well recognized by the tin industry globally and the Group strives to maintain its leading position. As a testimony to our commitment for excellence, MSC was awarded the Product Excellence Award in the open category from the Ministry of Domestic Trade and Industry of Malaysia for the high purity 4-Nines tin exports in 1997. With regard to quality compliance, the smelting plant in Butterworth has attained ISO certification under ISO 9002 in 1994. This certification was subsequently upgraded to ISO 9001 – 2000 in 2001 and then further upgraded to ISO 9001 – 2008 in 2010.

MARKETING AND TRADING UNIT (M &T)

The Division's M&T provides the Group with access to the KLTM/LME terminal pricing markets as well as to end-user markets worldwide. M&T works with a panel of reputable LME brokerage houses and has both agency arrangements as well as direct sales to end-users.

M&T is well placed to provide tin buyers with quality tin from two smelter locations in two different countries and offer the flexibility of both LME and KLTM pricing arrangements. The LME registered Malaysian warehouses in Pasir Gudang and Port Klang together with the LME Singapore warehouses provide tin buyers and traders with excellent and fast access to these warehouses.

The M&T provides pricing/hedging support to both the Group's mining units as well as the Butterworth smelting unit's commercial requirements.

M&T also provides valuable market intelligence with its international network of suppliers, brokers and end users.

MINERAL EXPLORATION

MSC employs a range of exploration methods commensurate with the types of mineral deposits and site conditions. Initial reconnaissance is carried out using established geophysical and geochemical methods together with detailed mapping of the sites. Exploration methodology employed is in accordance with the Australasian Joint Ore Reserves Committee (JORC) Code which is the universally accepted standard for reporting of exploration results, mineral resources and ore reserves.

For alluvial and loose eluvial deposits, the well-proven Bangka drilling (mechanised or non-mechanised) method is extensively used onshore including water-logged and swampy areas. The equipment is highly versatile and may be hand-carried to remote sites for comprehensive drilling campaign.

Corporate Profile *(cont'd)*

For offshore alluvial deposits, sea-going drill barges are utilised. These have the capability to drill up to 80 metres depth at the rate of 40 metres to 50 metres per day. Drilling utilises the counter-flush system mounted on a derrick at mid-ship. The drill hole is cased to reduce contamination with the sample flushed out for processing and analysis on-board. Holes are usually not drilled to bedrock but only to fully intersect a specific tin-bearing gravel/sand layer. Usually several generations of drill holes are present at any one area and duplicate holes are drilled in critical locations to verify consistency and compatibility among the different sets of drill data. Drill holes are plotted and located by GPS and coordinates are recorded accordingly.

In both the above methods, samples collected are reduced to a high-grade cassiterite concentrate by hand panning with weight and volume measurements to determine 'whole-of-hole' and 'wash' grades. This methodology is used by PT Koba Tin and the procedure is well-established and accepted in the alluvial tin mining industry.

For primary hard rock deposits such as that at RHT, MSC utilises the combination of reverse circulation (RC) drilling and diamond drilling methods. RC drilling utilizes a large rotary drill and air compressor to collect rock samples quickly and efficiently. The high speed and low cost of RC drilling makes it an ideal method for obtaining mineral samples in the early phases of an exploration project. The holes are sampled successively from the top to the bottom following established procedures and representative samples are used for mineral analysis and assay. Diamond drilling is the ultimate method for exploration for collection of core samples to delineate ore-bodies at depths to determine their characteristics, composition and grades.

MINING AND MINERAL PROCESSING

The Group continues to pursue growth in the tin business with focussed upstream investments in Malaysia, Indonesia and the Democratic Republic of Congo (DR Congo). The projects are usually formed on joint venture basis with emphases on local participation and local value-added with support of the respective governments. Going forward there will be greater challenges posed on accessibility of economically mineable tin deposits located in remote locations and at greater depths. It is therefore crucial that the Group is able to apply the industry's best practices and technologies for exploration, mining and processing of the tin resources in order to deliver on long term sustainable performance. At the same time, emphasis is also placed on development of people resources for the core skills required in the respective countries in line with the Group's growth programme.

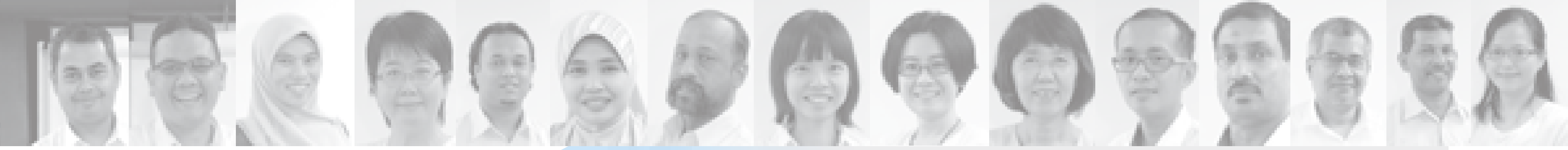
In Malaysia, the 100% MSC-owned Rahman Hydraulic Tin Sdn Bhd (RHT) is stepping up its exploration and mine development activities to increase its resources inventory and tin production. In the meantime, the Group is also pursuing new mining ventures in the various states, including re-visits of previous mining operations in Perak and Pahang.

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 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.

In 2011 MSC concluded a protocol agreement with the Democratic Republic of Congo government for an exclusive joint venture development of several mining concessions in the eastern province of Maniema. These would entail investments in new exploration programme and rehabilitation of infrastructure and related facilities. At the same time, the Company is also examining several other tin mining prospects in the neighbouring Katanga province with various potential partners.

Investment opportunities in various other countries will continue to be monitored and the Group may in future decides to invest in selective projects that meet its investment criteria. Main emphases will be on opportunities in regions where the country



risks could be effectively managed and that the mines could be developed and operated with relatively lower cost structure.

Hard rock open-pit mining in RHT involves drilling and blasting of the hard rock with proper benching system as per mine design and planning. Barren overburden is removed from the mine pit and tin-bearing ore hauled to processing plants using earthmoving equipment. For processing, the softer-weathered tin ore is fed directly to the palong whilst harder rocky material is first pulverised using crushers and grinding mills to liberate the tin. Further processing follows by gravity concentration using jigs and shaking tables to separate the tin. Various associated minerals such as ilmenite, monazite and zircon are further separated using magnetic and high-tension separators. The final tin concentrates contain between 60% and 70% tin which are ready to be sent for smelting.

For alluvial tin mines, operations generally do not involve drilling and blasting, while processing excludes crushing and grinding. Otherwise, the rest of the processing operations are generally the same involving the uses of palong, jigs and shaking tables for gravity separation. Sometime, further gravity separation using spirals are adopted to recover very fine tin. In general, the use of chemicals is avoided except when there is a need to remove impurities such as pyrites from the final tin concentrate.

The palong is a traditional and cost-effective method for first stage processing of large volume of alluvium, where tin is concentrated at the bottom while sand and other lighter materials overflow and are discarded at the end of the troughs. The palong is normally of wooden construction and built on an inclined (gradients of 1:12 to 1:16) foundation or on stilts. Its size could vary from small single lane palong with two or three troughs, to very large palong with up to 20 lanes, each with more than ten troughs. Larger palong can be up to 50 metres long and 30 metres wide.

For jigging operation, water is forced upwards through the jig beds by using diaphragms for gravity separation of the tin and other heavy material from lighter sandy material. The jigging is done in two or three stages for gradual tin concentration. Jigs typically handle tin ore with particle sizes in the range of 2.5 mm to 10 mm while finer particles are treated using shaking tables.

Shaking tables receive feed from the jigs for further tin concentration. These are equipped with longitudinal ridges or ripples to regulate the flow of tin-bearing slurry. The longitudinal movement of the shaking tables and the cross-flow of the water cause the particles to become stratified. This resulted in the heavier particles including tin to be carried to the short end of the table, while the lighter sandy materials are washed away. In order to realize final tin concentration, the tabling process is also performed in two to three stages.

FUTURE GROWTH

MSC prides itself as the only major tin producer with a consistent growth in output over the past 4 years against the backdrop of a very volatile economic landscape and fluctuating industry demand for tin. During the period from 2008 to 2011, the Group's refined tin output grew at a commendable compounded annual growth rate of 8.8%.

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

In the areas of research and development, MSC, as a co-founder and board member of ITRI which is an international tin organization, continues to support ITRI's initiatives amongst other things to rigorously pursue research and development, particularly in areas where tin can be used to replace toxic substances contained in many of today's industrial applications. Tin has been generally regarded as "environmentally friendly" and its contribution to the environment through the replacement of toxic substances is immeasurable.

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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at Bintang Meeting Rooms 1 & 2 (Level 4) of the JW Marriot Hotel Kuala Lumpur, 183 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Friday, 4 May 2012 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

1. "THAT the audited Financial Statements for the year ended 31 December 2011 and the Report of the Directors and Auditors thereon be and are hereby received."

2. "THAT the final dividend of 18 sen per RM1.00 ordinary share less 25% tax, for the year ended 31 December 2011 be and is hereby approved and declared payable on 8 June 2012 to shareholders on the Register of Members at 4.00 p.m. on 23 May 2012."

3. "THAT Mr Chew Kwee San, 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 Dato' Seri Dr Mohd Ajib Anuar, 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 the Directors' fees of RM465,000 in respect of the year ended 31 December 2011 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."

6. "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 :

7. "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."

   Special Resolution :

8. "THAT the proposed Amendments to Articles of Association of the Company as contained in Circular to Shareholders of the Company dated 10 April 2012 ("Proposed Amendments to the Articles of Association of the Company") be and are hereby approved AND FURTHER THAT the Directors be and are hereby authorized to do all acts and things and take all steps as may be considered necessary to give full effect to the Proposed Amendments to Articles of Association of the Company.

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

Notice of Annual General Meeting *(cont'd)*

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a final dividend of 18 sen per RM1.00 ordinary share less 25% tax, if approved, will be paid on 8 June 2012 to depositors registered in the Record of Depositors of Bursa Malaysia Depository Sdn. Bhd. (Bursa Depository) and Central Depository Pte Ltd (CDP) of Singapore at the close of business on 23 May 2012. A depositor shall qualify for the entitlement only in respect of:

a) Shares transferred into the Depositors Securities Account before 4.00 p.m. on 23 May 2012 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 Abdul Rasheed
Company Secretary
Kuala Lumpur
Date : 10 April 2012

Notes :

1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 26 April 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Thirty Third AGM of the Company.*

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

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

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

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

Explanatory Note on Special Business (Resolution 7):

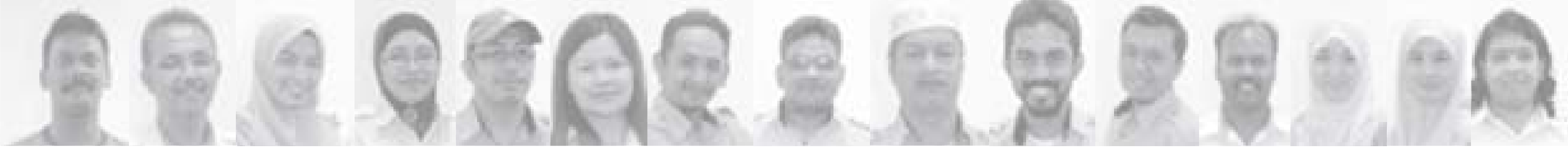
The proposed ordinary Resolution 7 above, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting subject to the 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 Second Annual General Meeting of the Company held on 27 April 2011. 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.

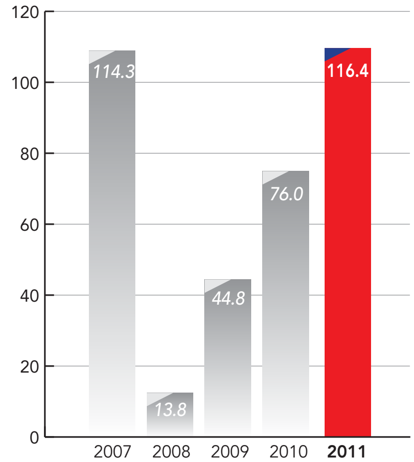
Group Financial Highlights

		Year ended 31 December				
		2007	2008	2009 *Restated	2010	2011
Revenue	(RM Mil)	1,913.1	2,276.4	1,851.7	2,738.8	**3,098.6**
Profit before exceptional losses/gains	(RM Mil)	114.3	13.8	44.8	76.0	**116.4**
Exceptional (losses)/gains, net	(RM Mil)	6.7	(42.0)	65.0	(154.5)	**(25.3)**
Profit/(Loss) before tax	(RM Mil)	121.0	(28.2)	109.8	(78.5)	**91.1**
Income tax expense	(RM Mil)	(42.8)	(18.6)	(41.2)	(21.8)	**(34.5)**
Profit/(Loss) attributable to the owners of the Company	(RM Mil)	67.4	(46.3)	72.4	(80.2)	**60.5**
Total assets	(RM Mil)	841.4	1,062.5	1,231.6	1,219.6	**1,271.9**
Net current assets	(RM Mil)	177.6	33.1	68.0	30.2	**119.4**
Equity attributable to the owners of the Company	(RM Mil)	350.1	296.5	367.8	264.8	**426.7**
Earnings/(Loss) per share	(sen)	90	(62)	97	(107)	**62**
Gross dividend declared/proposed per share	(sen)	28	8	3	3	**30**
Net assets per share attributable to the owners of the Company	(sen)	467	395	490	353	**427**
Pre-tax return/(loss) on average equity attributable to the owners of the Company	(%)	37	(9)	33	(25)	**26**

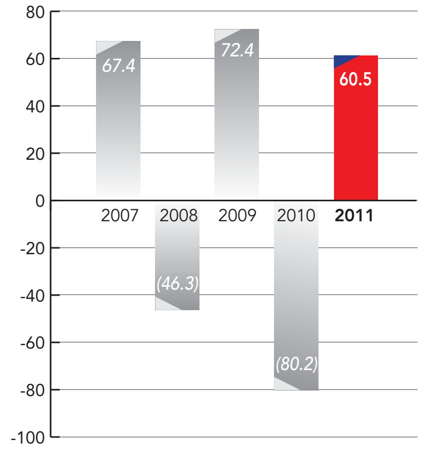
* Restated due to gain on bargain purchase amounting to RM65,004,000 arising from acquisition of a jointly controlled entity which has been retrospectively adjusted for the financial year ended 31 December 2009.



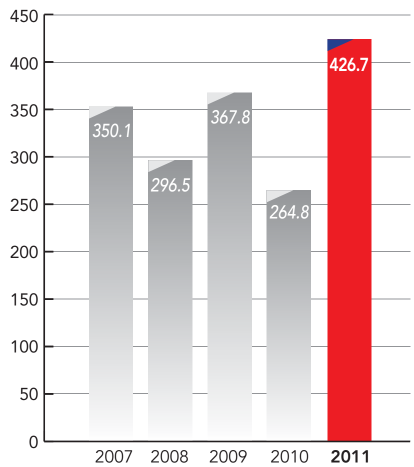
Group Financial Highlights *(cont'd)*



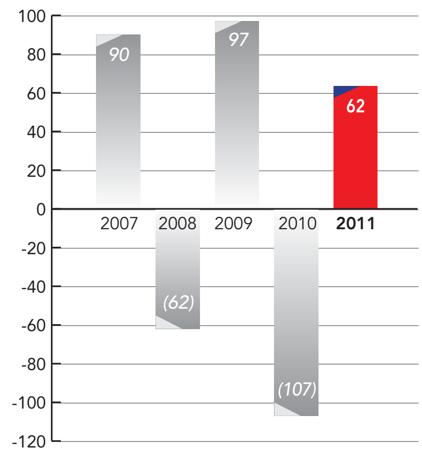
Profit before exceptional losses/gains (RM Mil)



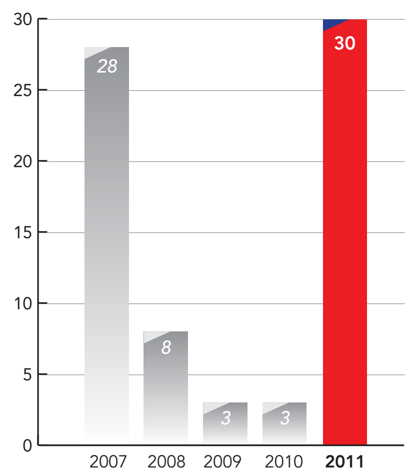
Profit/(Loss) attributable to the owners of the Company (RM Mil)



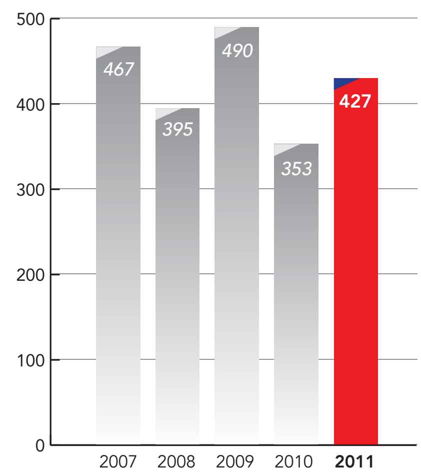
Equity attributable to the owners of the Company (RM Mil)



Earnings/(Loss) per share (sen)



Gross dividend declared/proposed per share (sen)



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

Board of Directors

From left to right:
- **Mr Norman Ip Ka Cheung** (Chairman) - *Independent Non-Executive Director*
- **Dato' Seri Dr Mohd Ajib Anuar** - *Executive Director*
- **Mr Mark Christopher Greaves** - *Non-Independent Non-Executive Director*
- **En Razman Ariffin** - *Senior Independent Non-Executive Director*

Board of Directors *(cont'd)*

From left to right:
- **Mr Lim Sit Chen Lam Pak Ng** - *Independent Non-Executive Director*
- **Mr Chew Kwee San** - *Non-Independent Non-Executive Director*
- **Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong** - *Non-Independent Non-Executive Director*
- **Mr Yeo Eng Kwang** - *Non-Independent Non-Executive Director*

Directors' Profile

MR NORMAN IP KA CHEUNG

Mr Norman Ip Ka Cheung is a British subject aged 59 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 became an Independent Non-Executive Director of the Company as of 1 January 2012. He also chairs the Remuneration Committee and is a member of the Nominating Committee.

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 and served as an Advisor to STC until 31 December 2011. 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 WBL Corporation Limited, and a director of 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"). In addition, he is also 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 offence.

YBHG DATO' SERI DR MOHD AJIB ANUAR

YBhg Dato' Seri Dr Mohd Ajib Anuar is a Malaysian aged 62 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 forty 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 and ITRI Innovation Ltd, UK (the research and development body of the world's tin industry). He is also a member of the Tin Committee of the London Metal Exchange.

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 64 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 forty years. Beginning his career at Osborne & Chappel Sdn. Bhd. in 1972, En Razman moved on to work for Sarawak Shell Berhad. 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. 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.

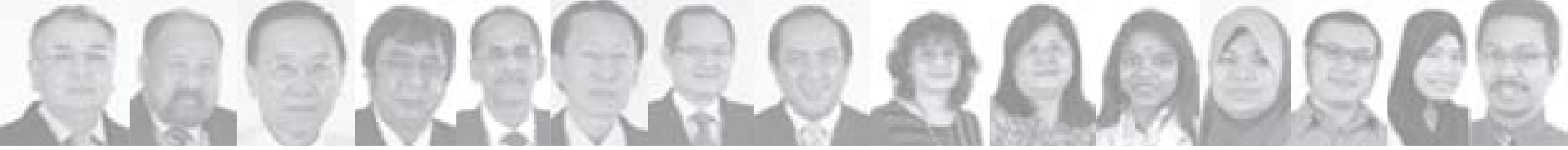
MR YEO ENG KWANG

Mr Yeo is a Singaporean aged 38 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.

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

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



MADAM ONG LEE KEANG, MAUREEN @ MRS MAUREEN LEONG

Mrs Maureen Leong is a Singaporean aged 57 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 of 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 the immediate holding company of Malaysia Smelting Corporation Berhad. She has overall responsibility for the financial functions, including treasury, tax, insurance, risk management and capital management of STC and its group of companies.

Mrs Maureen Leong has more than 30 years of experience in 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

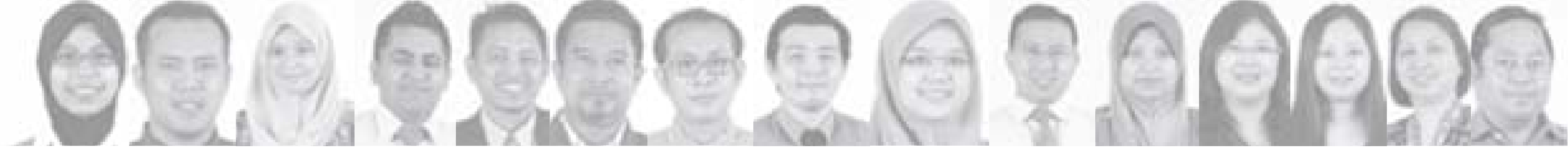
Mr Chew Kwee San is a Singaporean aged 43 years. He was appointed to the Board as a Non-Independent Non-Executive Director on 1 March 2010. Currently he is also the Chairman of Nominating Committee.

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 The Straits Trading Company Limited. As an Executive Director, Mr Chew heads the treasury and sits on the investment committee that oversees its investment operations. He is also the Honorary Secretary and Council Member of the Tan Chin Tuan Foundation in Singapore and Council Member of the Tan Sri Tan Foundation in Malaysia. In addition he is a Director of the Young Men's Christian Association of 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 Executive Chairman of The Straits Trading Company Limited ("STC") and his mother is Dr Tan Kheng Lian, a substantial shareholder of STC. STC owns 54.84% of the equity of the Company. Mr Chew has never been convicted of any offence.



Directors' Profile *(cont'd)*

MR LIM SIT CHEN LAM PAK NG

Mr Lim Sit Chen Lam Pak Ng is a Canadian aged 64 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 55 years. He was first appointed to the Board of the Company in November 2010.

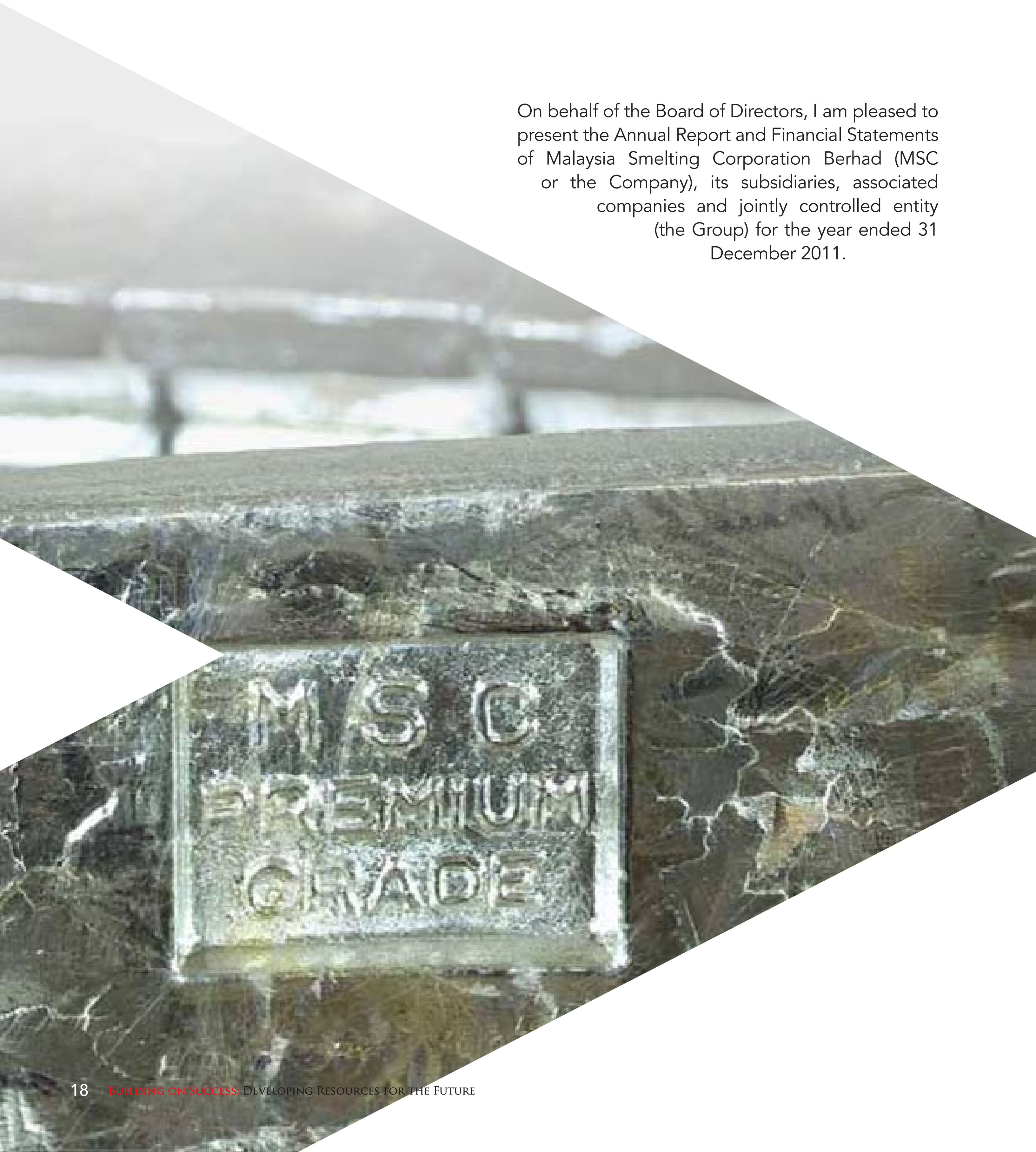
Mr Greaves began his career with investment bank N M Rothschild & Sons Limited ("Rothschild") and spent 25 years with the group. He was based in London, Singapore and Hong Kong from 1977 to late 1992 when he relocated permanently to the Singapore office as the Head of Corporate Finance for South-East Asia and became its Managing Director. During this time, he sat on the Board of all the Group's principal affiliates in Asia, including Bumiputra 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. He was a Council Member of the Singapore Investment Banking Association from 1994 to 2002 and was instrumental in steering Rothschild's M&A 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 assignments involving Asia and Europe. In 2004, Mr Greaves assumed the role of the Chief Executive Officer of Hanson Capital Limited (renamed Hanson Capital Investments Limited) and later the Deputy Chairman of Hanson Family Holdings Limited, a role which he held until early 2012. Mr Greaves was also a non-executive director and subsequently Chairman of London-listed Sinosoft Technology Plc from 2004 to 2010, an Independent Non-Executive Director and thereafter a corporate governance consultant to the Board of Hong Kong-listed Gome Electrical Appliances Holding Limited. Mr Greaves now acts as an advisor to the Chairman of The Straits Trading Company Limited and is a non-executive director of WBL Corporation Limited, a Singapore-incorporated conglomerate listed on the SGX-ST.

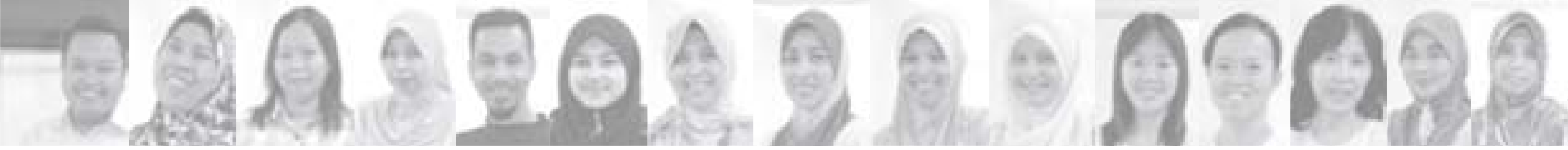
Mr Greaves graduated with a Bachelor of Arts degree in Economics from the University of Cambridge in 1977.

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

Statement by the Chairman

On behalf of the Board of Directors, I am 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 2011.





FINANCIAL RESULTS

Amid extreme volatility and growing uncertainty in the global commodities and financial markets the Group achieved a 13.1% growth in its turnover to a record high of RM3.1billion. Profits before exceptional losses rose 53.2% to RM116.4 million for the year ended 31 December 2011 compared to RM76 million in 2010. The Group remained one of the top tin smelters in the world despite increasing competition.

The Group's financial position improved during the year. Net cash flows generated from operating activities improved from RM56.2 million to RM208.8 million. The strong cash flows enabled the Group to reduce its bank borrowings by RM137.6 million and consequently improved its gearing level to 1.2 from 2.3.

TIN MINING AND SMELTING OPERATIONS

The operating and financial results among the Group's business units were, however, mixed. The international tin smelting business and the tin mining operations in Malaysia achieved a commendable performance with better production, sales and profits on the back of improved operating efficiencies and higher tin prices. However, the Group's operations in Indonesia were adversely affected by lower sales and production in the fourth quarter of 2011 as a result of the unexpected development over the shipment of tin metals when the Indonesian Tin Association imposed an export moratorium on tin shipment from Bangka Island, effective 1 October 2011. Further, lower tin prices and higher unit cost of production compounded by the low volume of production in the fourth quarter had resulted in significant operating losses to PT Koba Tin. Although PT Koba Tin has submitted an application to renew its Contract of Work (CoW) for a further extension of 10 years to 2023, on ground of prudence, PT Koba Tin decided to make an additional provision for mine closure and reclamation/rehabilitation costs and other impairments. These had further increased PT Koba Tin's losses.

During the year, significant resources were mobilised throughout the supply chains to achieve sustainability and growth in the volume of tin concentrates and tin bearing materials for smelting at the Group's smelting plant in Butterworth. The Group's initiatives included pursuing constructive engagements globally with all stakeholders in the supply chains, especially in dealing with conflict minerals issues to ensure transparency and accountability in its international minerals sourcing. Upgrading of smelting and refining facilities were also undertaken to improve efficiency and increase production capacity. An additional production unit was also successfully installed at the Group's tin mine in Perak, Malaysia. The results of all these efforts enabled the Group to increase its overall metal production in 2011 by 2.7% to 46,599 metric tonnes, thus maintaining our position as the second largest supplier of tin metal globally.

The Group continues to pursue opportunities to expand its tin resources in Malaysia and Indonesia and has identified several prospective tin mineralised areas for exploration and developments. Discussions are ongoing with a view of progressing with possible acquisitions. The Group is also evaluating several tin prospects in the Democratic Republic of Congo (DRC). DRC has been a significant source of tin concentrates for the Group's international tin smelting business.

DIVESTMENT OF NON-TIN INVESTMENTS

Several divestments were made during the year in respect of the Group's non-tin assets. The Group will continue to pursue with the divestment of the remainng two non-tin assets at acceptable prices. At the end of 2011 the Group's remaining non-tin investments included a 30% interest in the unlisted KM Resources Inc which owns a profitable polymetallic mine

(producing copper, gold, zinc and silver in concentrates) in the Philippines and a 15.42% interest in a Canadian listed nickel development company, Asian Mineral Resources Limited.

DIVIDENDS

The Directors recommend the payment of a final dividend of 18 sen per ordinary share less 25% tax (2010 : 3 sen per RM1.00 ordinary share less 25% tax), amounting to RM13.5 million. Subject to the approval of the members at the forthcoming Annual General Meeting of the Company on 4 May 2012, this will be paid on 8 June 2012 to members registered on the Company's registers at the close of business at 4.00 pm on 23 May 2012. Together with an interim dividend of 12 sen per share paid in September 2011, the total dividend paid and proposed for the financial year 2011 would amount to RM22.5 million.

PROSPECTS

Although the coming year will continue to be challenging due to weaker demand for commodities arising from the prevailing global economic uncertainties including the eurozone sovereign debts concerns, the long term outlook of the tin industry remains positive. Given the Group's continued efforts to improve operating efficiencies, increased rationalisation efforts at its Indonesian operations and subject to the renewal of PT Koba Tin's CoW in Indonesia we are well-positioned to deliver profitable growth and sustained value for our shareholders.

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 Practises 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 ensure proper accounting records are maintained so that the financial information pertaining to the business and for publication are transparent and reliable. The risk management procedures are designed to manage key vulnerabilities. However, they cannot eliminate all the commercial risks and guarantee there will be no shortfall in achieving the business objectives.

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

ACKNOWLEDGEMENT

The Board would like to extend a special note of thanks to Mr Lim Sit Chen Lam Pak Ng who joined the Board on 1 March 2010 and has chosen to retire at this coming AGM. Further, on behalf of the Board, I would like to express our thanks to our fellow directors for their wise counsel and significant contribution throughout the year. I would also like to take this opportunity to thank the shareholders for their continued support and loyalty, as well as to the management team and to all our employees for their unwavering commitment, dedication and perseverance towards ensuring the success of the Group. 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

26 March 2012

Group Chief Executive Officer/Executive Director's Report

"Our aim is to be a premier international tin mining and smelting company, by becoming the partner of choice in the global tin industry."

OUR VISION AND STRATEGY

We are a global leader in the production of tin metal and tin based products and have a long and successful history of conducting our business in a safe, efficient and socially responsible manner for the benefit of our shareholders. We will continue to build on the foundation of our successful integrated tin mining and smelting business with a global network of capabilities and an articulated vision to earn superior returns to our shareholders.

Our aim is to be a premier international tin mining and smelting company, by becoming the partner of choice in the global tin industry. We will achieve this by continuing to focus on developing and operating an efficient business model, embed sustainability and safety in everything we do, and attract and retain the best talent.

Our niche expertise in tin is continually being strengthened in all areas over the entire supply chain covering geology, mining, mineral processing, smelting, marketing, financing as well as resource and sustainable management.

We are actively pursuing investments in mine and smelter expansions to grow our production profile, improve efficiencies, and generate increased cash flows and profits.

We are also continuing to pursue opportunities to increase our tin reserves by identifying and undertaking exploration for new tin resources as well as strategic acquisitions of quality exploration and mining assets. We are mindful of undertaking any high risk grass-root greenfield exploration. Our focus will be on advanced exploration and development assets, quality income generating operations as well as prudent management in our pursuit for growth.

OUR PERFORMANCE

Staying Focused to Deliver Value

Following three quarters of significant improvement in operational and financial performance, the Group, along with the entire global tin industry, encountered turbulent headwinds in the final quarter of 2011. Global economic fundamentals and sentiments deteriorated, demand contracted and prices plunged downwards impacting adversely on sales, profits and cash flows. Nevertheless, overall, we performed well in 2011 with higher production, better earnings and stronger balance sheet.

We remain confident that the Group's strong foundation and perseverance stay intact. The mining industry exacts nothing less than tremendous grit, resilience and instinct to succeed. At a time enveloped with unprecedented economic uncertainty, it is only natural we adopt the same attitude to ensure our continued survival. With perseverance, we will prevail these turbulent times.

Group Chief Executive Officer/Executive Director's Report *(cont'd)*

2011 performance improved, despite increased global economic uncertainty

Production and Sales	2011	2010
Tin metal production (tonnes)		
MSC International Custom Smelter, Butterworth	**40,267**	38,737
Rahman Hydraulic Tin (tin-in-concentrates)	**2,010**	1,769
PT Koba Tin	**6,332**	6,644
Average tin price (USD per tonne)	**26,113**	20,447
Sales	**RM 3.1 billion**	RM 2.7 billion

During 2011 we managed to sustain our growth trend in refined tin metal production and maintained our position as the second largest supplier of tin metal globally. Boosted by higher average price, our Group's sales for 2011 was another record high.

FINANCIAL REVIEW

Financial Highlights	2011	2010
	(RM million unless otherwise stated)	
Profit before exceptional losses	**116**	76
Profit/(Loss) before tax	**91**	(78)
Profit /(Loss) after tax	**57**	(100)
Profit/(Loss) after tax attributable to the owners of MSC	**61**	(80)
Cash and cash equivalents	**236**	119
Equity attributable to the owners of MSC	**427**	265
Debt : Equity Ratio	**(1.2:1)**	(2.3:1)
Earnings/(Loss) per share	**61.6 sen**	(107.0 sen)
Gross Dividend paid and proposed per share	**30.0 sen**	3.0 sen
Net assets per share	**RM4.27**	RM3.53
Pre-tax return/(Loss) on average shareholders' equity	**26%**	(25%)

Profit before exceptional losses increased by 53.2% in 2011 compared to 2010 due to higher average realized tin price and higher sales revenue. Significantly, we returned to the black registering a net profit after tax (attributable to our shareholders' equity) of RM61 million from a net loss of RM80 million last year. Our earnings per share and net asset value per share increased to 61.6 sen and RM4.27 respectively.

Exceptional losses totalling RM25.3 million in 2011 mainly comprised provision for impairment in the value of the Company's investments in a tin mining company in Indonesia, a tin smelting associate in China and a nickel development project in Vietnam through a Toronto listed company, Asian Mineral Resources Limited, which is currently being considered for sale. The total provision is a non-cash item and thus, does not negatively affect the Company's liquidity position.

Our Group's cash position has improved significantly. The secondary listing in Singapore in January 2011 raised net proceeds of RM99.66 million from the issuance of 25 million new shares. Cash generated from operating activities amounted to RM208.8 million in 2011 compared with RM56.2 million in 2010. As a result a substantial reduction in bank borrowings was achieved with repayment of debt totalling RM137.6 million in 2011. The overall gearing position (total debt:equity ratio) improved significantly to 1.2 from 2.3 in 2010. Exploration and mine development expenditure paid during 2011 amounted to RM42.3 million.

Dividends (paid and proposed) for the year 2011 totalling 30 sen per share or RM22.5 million represent a distribution of 37.2% from the year's net earnings.

TIN MARKET OVERVIEW

Increased uncertainty in the global economy and extreme price volatility in the tin market, particularly in the second half of 2011, contrasted with the strong signs of tin supply/demand fundamentals seen in late 2010 and into the first half of 2011. The run-up in tin prices reaching an all-time peak level of over USD33,000 per tonne in April coincided with a move into oversupply of tin particularly from small scale mining in Indonesia. Responding to the weakening supply/demand fundamentals in the second half of 2011 and as financial markets developed into uncertainty over issues of sovereign debt and deteriorating growth prospects, tin and all other base metal prices plunged downwards. Tin prices briefly fell below USD18,000 per tonne in September.

The fall in tin prices led to the majority of independent private tin smelters in Indonesia, through their Indonesian Tin Association imposing a moratorium on tin exports which took effect from October 2011. The voluntary 'ban' on exports, which was meant to continue until the end of the year, hampered efforts by PT Koba Tin and some other private smelters to continue making shipments of their tin metal in the final quarter of 2011 and adversely affected their cash flows, production and profitability.

While there remain a number of uncertainties in the immediate term, not least in the developed economies, our medium to long term view of tin demand growth remains very positive, underpinned by electronic demand driven by growth and urbanization in emerging economies. Technological innovations are also ongoing in the chemical, energy and environmental related sectors that will lead to increased tin consumption.

On the supply side, we expect major shifts and structural changes to occur during the current decade. These include rapid depletion of more accessible and lower cost alluvial deposits resulting in the decline of small scale artisanal mining in Indonesia; increase in the cost of production of artisanal mining in Central African countries following full implementation of due diligence and transparency systems for responsible sourcing over the supply chain; emerging new sources of supply from high cost and metallurgically complex tin deposits and tailings;

and significant investments required to bring new sources of supply to production.

In summary, our long term view is that the economic fundamentals of the tin industry remain favourable from both the supply and demand sides.

INTERNATIONAL SMELTING BUSINESS

The Group's international smelting and marketing business delivered another year of outstanding performance. Operating results benefited from an increase in the refining capacity of our Butterworth custom smelter, expansion in our international marketing and commercial networks, and enhanced operating efficiencies.

	2011	2010
Production of tin metal (tonnes)	**40,267**	38,737
Profit before tax (RM million)	**68.30**	36.33

In 2011 we continued to receive the benefit of our supply chain transformation and optimization efforts to unlock value from our existing assets and core smelting business. The supply chain transformation initiative focused on developing and implementing responsible sourcing of tin concentrates and tin bearing materials for our international tin smelting business. The programme ensures transparency and traceability along the supply chain particularly in the Central African countries which provide an important source of tin concentrates for our Butterworth smelter. The Government export ban in the Democratic Republic of Congo (DRC) during the 1st quarter of 2011 due to potential conflict minerals issues and the regulatory requirements for export thereafter hampered any significant export of Central African tin concentrates during the first half of 2011.

We actively participated in constructive engagement with all stakeholders of the global tin industry including the ITRI, United Nations, the OECD, ICGLR (international Conference on Great Lakes Region), the US Government, EICC (Electronic Industry CItizenship Coalition), other equally important consumer groups, suppliers, various NGOs, and the various tin concentrates producing countries particularly the DRC, Rwanda and their surrounding countries within the Great Lakes Region of Africa. We have also adopted the internationally accepted iTSCi (International Tin Supply Chain Initiative) scheme which has been created and spearheaded by ITRI in which MSC is a founder member. The successful implementation of the iTSCi scheme and the due diligence process in Katanga Province, DRC and Rwanda during the second quarter of 2011 enabled responsible sourcing of tin concentrates to the Butterworth smelter from these areas. The iTSCi scheme is expected to be progressively implemented in other tin producing regions of DRC, namely the Provinces of Maniema, North and South Kivu in 2012.

The asset optimization initiative focused on delivering value from operational improvement. Under this agenda the Butterworth smelter underwent a major upgrading and comprehensive maintenance programme. Major improvement works were undertaken in the gas handling and cooling system, rotary furnaces, various overhead crane systems and refining facilities. The substantial progress made in 2011 has led to an increase in refining capacity as well as an overall improvement in the smelting and refining efficiencies.

"... our long term view is that the economic fundamentals of the tin industry remain favourable from both the supply and demand sides."

"... RHT has effectively replaced the mined out resources and still the estimated remaining tin resources have increased by more than two-fold compared with the previous estimates."

TIN MINING

Rahman Hydraulic Tin. Sdn. Bhd (RHT or the Mine), Perak, Malaysia

RHT which operates Malaysia's largest open pit elluvial (semi hard rock) tin mine in the State of Perak continued to focus on pit optimization and mine design, upgrading and expansion of ore processing plant and drilling programme to increase its tin resources. The most significant development is the successful construction of a new processing plant, a 6-lane Palong, which adds about 20% to production. The overall results have been commendable with production, earnings and cash flows exceeding expectation.

	2011	2010
Production of tin-in-concentrates (Tonnes)	**2,010**	1,769
Profit before tax (RM million)	**59.01**	28.23

Tin Resource

The drilling programmes and resource evaluations undertaken in 2010 and 2011 have also been highly successful. The resource estimates are based on a combination of Reverse Circulation drill holes (98 holes) and Diamond drill holes (49 holes), blast hole sampling, trenching and channel sampling and past production records using standards in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). The results have indicated that since the last published tin resource statement as of 15th March 2010 disclosed in the 2010 Annual Report, RHT has effectively replaced the mined out resources and still the estimated remaining tin resources have increased by more than two-fold compared with the previous estimates.

Resource Class	Contained tin (tonnes) 2011/2012 (As at 29 March 2012)	2010 (As at 15 March 2010)
Measured	**6,721**	4,786
Indicated	**7,468**	6,081
Inferred	**26,903**	8,612
Total	**41,092**	19,479

Continuing exploration and drilling will be needed to progressively upgrade the resources to measured category and replace mined out resources. Based on the present rate of annual production the current estimated resources could prolong RHT's mine life beyond 15 years.

The Mine will continue to undertake pit optimization and design and will accelerate the removal of overburden by cutting-back the walls of the open-pit to gain access to the ore body that is dipping down as mining progresses and at the same time create a large enough pit floor to establish

several faces for continuous availability of ore. All these earth removing works require significant development expenditure for long term production sustainability and growth. At the same time the Mine will need additional investments in processing plant upgrading, waste removal and tailings storage/retention facilities, environmental management and other infrastructure upgrading. In 2011, RHT submitted an application and proposal to the State Government of Perak for renewal and extension of its mining leases over a total area of approximately 601 hectares up to the year 2030 pursuant to the State of Perak Minerals Enactment 2003. In our proposal to the State, RHT outlined the social and economic benefits of the extended mine life to the State, community and other stakeholders under the principles and objectives of sustainable development.

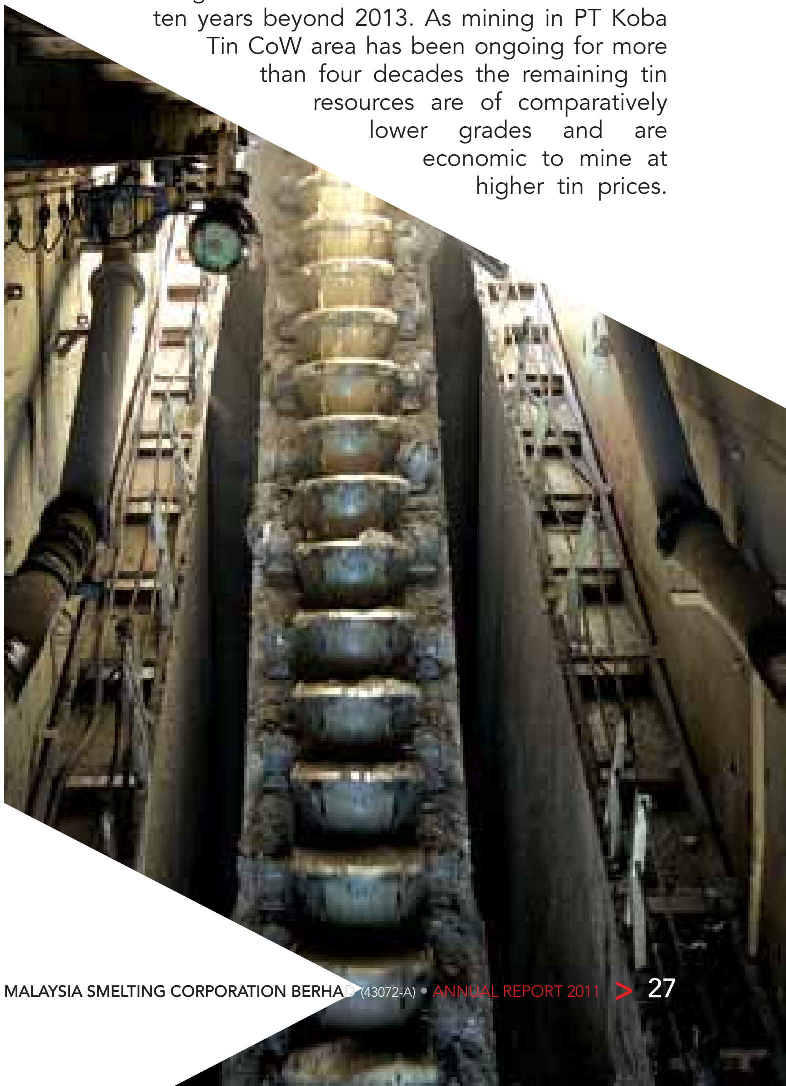
In line with the prevailing provisions of the State's Minerals Enactment, RHT also agreed to pay royalty to the State Government at a higher rate of 5% on sales of tin-in-concentrates from the current rate of 2.5% payable under the existing terms of the current mining leases which were originally issued under the old Enactment which had subsequently been replaced by the 2003 Enactment. With this agreement to pay a higher royalty effective from March 2012, we are pleased that as announced to Bursa Malaysia and Singapore Exchange on 26 March 2012, the State Government of Perak has approved the renewal of current mining leases for a longer period up to 28 September 2030 pursuant to the 2003 Enactment. The State has also granted to RHT additional two mining leases over a total area of approximately 100 hectares adjacent to the existing leases which are being used for mine tailings facilities and storage of overburden waste materials. Thus, the now long-lived RHT mine with significant tin resources will be in a solid position to pursue its long term plans for growth and sustainability.

PT Koba Tin, Indonesia

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 Island. The CoW commenced in 1973 for a period of thirty years and it was renewed for another ten years up to March 2013. The company has submitted an application and proposal for a further extension of ten years to 2023.

MSC acquired a 75% equity interest in PT Koba Tin in 2002. The remaining 25% equity is held by PT Timah, a government-controlled listed company which is also the largest tin producer in Indonesia. PT Koba Tin has its own smelter with a production capacity of approximately 25,000 tonnes per year. Over a period of ten years since MSC's acquisition, PT Koba Tin has mined and produced tin metal totalling approximately 145,000 tonnes.

PT Koba Tin has an ongoing exploration and drilling programme aimed at replenishing the tin resources that are being depleted from mining operations. At at 30 June 2011 its estimated remaining resources totalled approximately 34,000 tonnes contained tin. PT Koba Tin believes that its ongoing exploration and drilling activities would lead to the discovery of additional resources that would justify the extension of its mining concession in the CoW area for a further ten years beyond 2013. As mining in PT Koba Tin CoW area has been ongoing for more than four decades the remaining tin resources are of comparatively lower grades and are economic to mine at higher tin prices.



Group Chief Executive Officer/Executive Director's Report *(cont'd)*

The tin deposits are also at deeper levels requiring significant volume of overburden waste removal. As PT Koba Tin practices sustainable management on community development, safety and environmental rehabilitation the remaining short life of the mine means significantly higher provisions and costs for these obligations.

The surge in tin prices in the final quarter of 2010 and into the first eight months of 2011 to above USD25,000 level prompted PT Koba Tin to enter, develop and mine lower grade areas as part of its mine optimization programme. At tin prices above USD30,000 level, selective mining enabled PT Koba Tin to mine, using out-sourced contractors, lower grade deposits at an average cost of around USD26,000 per tonne and still earned sufficient margin. The practice of employing contractors saves PT Koba Tin from having to incur significant capital and development expenditure and cash flows. However the rapid plunge downwards in tin prices from September 2011 onwards, reaching a low of USD18,000 exposed the contractors and PT Koba Tin to significant losses and negative cash flows. Contractors slowed down their mine developments and operations resulting in a further fall in production. The adverse situation was aggravated by the moratorium on tin export imposed by the Indonesian Tin Association. PT Koba Tin immediately undertook the necessary rationalization of operations and costs. However, the impact of these aggressive rationalization activities could only be expected to be seen after about six months as revision in mine planning, interim financing and implementation require some realistic lead time.

As a result of the foregoing adverse developments PT Koba Tin incurred an overall loss in 2011 despite being able to maintain its production at approximately the same level as in the previous year.

	2011	2010
Production of tin metal (tonnes)	**6,332**	6,644
Profit / (loss) before tax (USD million)	**(5.47)**	8.08

Going forward, in addition to its ongoing rationalization programme, it is crucial that PT Koba Tin initiates steps to increase its production volume to a level where it could reduce its average cost of production to below USD20,000 per tonne. A number of strategic options are being considered. These include reviving its small scale production with the approval of relevant Indonesian Authorities and expansion of tin smelting volume under tolling arrangements with third parties.

In March 2012, MSC announced a strategic alliance agreement with an Indonesian party that would enable the latter to subscribe up to 23% equity interest in MSC's 100% subsidiary, Bemban Corporation Ltd (Bemban) which currently holds 75% interest in PT Koba Tin giving the Indonesian party an effective interest of 17.25 % interest in PT Koba Tin. Apart from facilitating greater local Indonesian participation in PT Koba Tin the proposed strategic alliance is expected

"PT Koba Tin believes that its ongoing exploration and drilling activities would lead to the discovery of additional resources that would justify the extension of its mining concession in the CoW area for a further ten years beyond 2013."

to strengthen the platform for securing PT Koba Tin CoW extension for another 10 years up to March 2023 as well as to expand the tin mining business of the restructured entity in Indonesia. Upon renewal of PT Koba Tin's CoW, the Indonesian partner will be able to increase its interest further from 23% to 50% with an effective interest of 37.5% in PT Koba Tin subject to certain conditions precedent. Upon completion of the whole transaction, MSC's effective interest in PT Koba Tin will be reduced to 37.5% through the subsequently reduced 50% interest in Bemban. We expect the whole transaction to be completed by March 2013.

Other subsidiaries in Indonesia

MSC has three other 100% subsidiaries in Indonesia, PT SRM, PT MSC Indonesia and PT Bangka Resources, and a 18.54% interest in PT Tenaga Anugerah which are undertaking exploration and development of tin resources in Indonesia through strategic cooperation agreements with local partners. We are in the midst of rationalizing and consolidating these entities with a view to position them in a stronger restructured business vehicle with greater Indonesian participation. Together with the proposed restructuring of shareholdings in PT Koba Tin shareholding, it is hoped that going forward MSC's Indonesian business would be in a stronger footing to achieve sustainable earnings and growth. We hope to implement these changes and restructuring within the next two years.

NON-TIN INVESTMENTS

At the end of 2011 the Company's remaining non-tin investments comprised a 15.4% interest in a Canadian listed nickel development company, Asian Mineral Resources Limited (AMR) and a 30% interest in an unlisted KM Resources Inc (KMR) which owns a profitable polymetallic mine (producing copper, gold, zinc and silver in concentrates) in the Philippines.

AMR urgently needs significant funding to complete its nickel development project in Vietnam. As announced recently AMR had entered into a Share Subscription Agreement with Pala Investments Holdings Limited, a multi-strategy investment company to raise CDN$4.3 million. Concurrently MSC had entered into a Voting and Support Agreement with Pala to support the proposed share subscription transaction and also executed a Right of First Refusal Agreement granting Pala a right of first refusal over MSC shareholding in AMR. Upon completion of the proposed capital raising, MSC's interest in AMR will be diluted to 11.4%. It is hoped that the proposed capital raising will enhance AMR shareholder value. MSC will continue to evaluate its exit options from AMR to maximize its value.

KMR Group has continued to perform very well in 2011 and contributed significantly to MSC's earnings. In 2011, 946,386 tonnes of ore were processed to produce 32,585 tonnes of copper concentrates and 30,080 tonnes of zinc concentrates containing 7,146 tonnes of payable copper, 14,596 tonnes of zinc, 29,337 oz of gold and 479,869 oz of silver. With better production and on the back of generally higher prices for copper, gold, zinc and silver, KMR Group reported commendable financial results. Sales increased to USD143.29 million from USD81.92 million in 2010 and profit after tax increased by 269% to USD47.69 million in 2011 from USD17.72 million in 2010.

The mine's remaining ore reserves can support the current rate of production till mid 2014. Feasibility studies are being undertaken to reprocess the mine tailings which contain gold as well as to mine gold resource at the adjacent site which could sustain at least another year of mining operations. Exploration is also being intensified with the objective of finding more resources to extend the life of mine. Following an airborne electro-magnetic survey and geological mapping, several prospective targets and promising new anomalies have been delineated for follow-up ground investigations and diamond drilling. With the expected increase in the valuation of KMR, MSC is seeking to enhance shareholder value by ensuring it can sell its investment in KMR at prices reflecting this potential increase in value.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Our approach to Corporate Social Responsibility (CSR) includes viewing all business activities in terms of their impact on our employees, society and environment; considering future generations in our use of natural resources; integrating social responsibility into our management system and partnering closely with government and all segments of society. Our long history of 125 years has been due to our successful strict adherence to CSR and sustainability principles.

During 2011 we contributed RM52.76 million in the form government taxes and royalties, RM9.87 million in environmental management and rehabilitation and RM4.56 million in CSR programme.

OUTLOOK

We believe the long-term outlook is strong. We have a management team and workforce committed to achieving MSC's potential and maximizing value for our shareholders and other stakeholders. Our Board of Directors has been very supportive of our vision and strategy. Notwithstanding the continuing global economic uncertainty, we believe that our long-term strategy remains sound. We are well positioned to grow our business. We expect the year ahead to be more challenging as well as rewarding.

Sincerely,

Dato' Seri Dr Mohd Ajib Anuar
Group CEO/Executive Director

26 March 2012

Securing the Future

ORE RESOURCES AND RESERVES

The Statement of Ore Resources and Reserves presented in this Report has been produced in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 (the JORC Code). The ore resources tabulated are held within existing leases and fully permitted mining tenements. Our ore resources may include areas where some additional approvals remain outstanding, but where, based on the technical investigations we carry out as part of our planning process, and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the time frame required by the current production schedule. In the case of PT Koba Tin, mineable reserves will be subject to the renewal of its current mining concession under a Contract of Work (CoW) with the Indonesian Government which will expire on 31 March 2013. An application has been submitted for its further extension of 10 years to 2023.

RAHMAN HYDRAULIC TIN SDN BHD

The ore type is semi hard rock with cassiterite concentrated in quartz veins situated en-echelon between two dominant North-South orientated faults. Mining operations are undertaken in an open-pit and involve drilling and blasting, excavating, loading and hauling using drill-rigs, excavators, bulldozers and off-highway trucks. The ore-bearing material is hauled to the stockpiles at five ore processing plants, whilst the overburden waste is hauled and dumped at designated waste dumps.

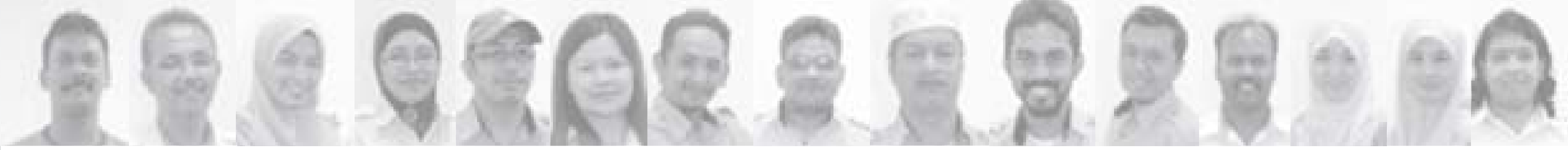
The resource estimates are based on the results of 98 reverse circulation drill holes and 30 fully cored diamond drill holes with a combined total of 15,327 drill-metres, blast hole sampling, trenching and channel sampling and past production records. Block models have been prepared using Micromine software.

The ore resources are made up of:

(a) The JORC compliant resources mainly from ore bodies located at the present mine pit updated up to 29 March 2012 with the mined out resources excluded.

(b) Newly identified areas of resources in the new exploration areas, "ore in waste" as well as depth and lateral extension of existing ore bodies. Continuing exploration will be needed to progressively upgrade the resources to the measured category and replace mined out resources.

RHT's current mining leases have recently been renewed up to the year 2030.



Securing the Future *(cont'd)*

Ore Resource Summary as at 29 March 2012

RESOURCE CLASS	VOLUME ('000 m^3)	GRADE (KgSn/m3)	Contained Tin (Sn) (Tonnes)
Measured	2,416	2.78	6,721
Indicated	2,759	2.71	7,468
Inferred	16,240	1.66	26,903
TOTAL RESOURCES	**21,415**	**1.92**	**41,092**

Footnote:
RHT grades are Ore Volume grades, whereas PT Koba Tin grades are Total Volume grades (ore + waste). It is not appropriate to apply a 'Whole-Of-Hole' grade calculation to the RHT resource as these resources are primary, hard rock mineralization, which occurs in the form of veinlets, with various orientations from the top levels extending to depths. Waste materials also occur in between the veinlets. This differs from the alluvial PT Koba Tin resources and reserves, where a 'Whole-Of-Hole' grades can be calculated, as all the orebodies are horizontally emplaced and the ore : waste zones are clearly defined.

PT KOBA TIN

PT Koba Tin undertakes alluvial mining operations in the island of Bangka, Indonesia. It mines the alluvial deposit using a large capacity bucket line dredge and several gravel pumps in combination with palong (sluices boxes) units. The mining units are served by large fleets of earthmoving equipments for overburden removal and for transfer of tin-bearing materials to the processing plants.

Exploration activities are ongoing for discovery of new resources especially at locations previously excluded from the current production schedule including lower grade areas and deeper ground as well as in areas designated as "production forests". The discovery of additional resources would justify the extension of its CoW for a further 10 years to 2023.

Ore Reserves and Resources summary as at 30 June 2011

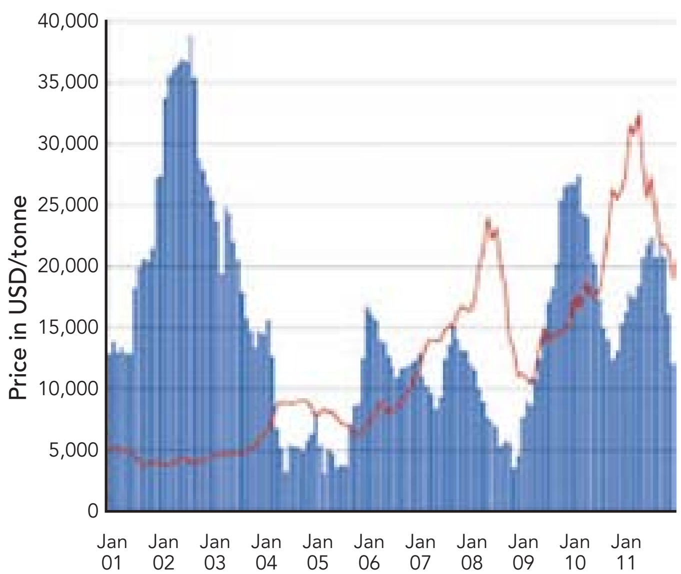
Category		Volume, '000 m^3	Whole-of-Hole Grade, Kg Sn/m^3	Contained Tin (Sn) tonnes
Reserves	- Proven	2,473	0.29	725
	- Probable	49,474	0.29	14,495
Total Reserves		**51,947**	**0.29**	**15,220**
Resources	- Measured	13,604	0.32	4,393
	- Indicated	36,943	0.15	5,488
	- Inferred	45,617	0.20	9,054
Total Resources		**96,164**	**0.20**	**18,935**
Total Reserves and Resources		**148,111**	**0.23**	**34,155**

Tin Market Review 2011-2012

RECENT MARKET DEVELOPMENTS

While the London Metal Exchange (LME) cash settlement price in 2011 was USD26,025/tonne, the price range above and below this average during the course of the year was considerable. Prices peaked at over USD33,000/tonne in April 2011 and briefly fell below USD18,000/tonne in September 2011. This volatility continues the pattern of recent years. In line with many other commodity and financial markets, tin prices have had a roller-coaster ride, particularly in the last three years. In the global financial crisis which accelerated with the failure of Lehman Brothers in September 2008, LME prices were driven down to lows of some USD10,000/tonne in December 2008 - January 2009. However, by the middle of 2009 demand was recovering and surplus stocks were being mopped up by China. Loose monetary policies employed by major governments to keep the world economy away from a threatened 1930s-style depression resulted in billions of dollars flowing into risky assets like metals, resulting in a much more rapid rise in prices in 2010 than anyone had predicted.

LME stocks and prices, 2001-2011



Tin Market Review 2011-2012 *(cont'd)*

World Production and Consumption Of Refined Tin ('000 tonnes)	2008	2009	2010	2011	Forecast 2012
Production					
China	137.5	140.6	155.0	160.0	164.0
Indonesia*	67.0	64.5	57.1	55.4	54.0
Malaysia	31.6	36.4	38.7	40.3	40.0
Thailand	21.7	19.3	23.5	23.9	21.0
Bolivia	12.7	15.0	15.0	14.3	15.0
Brazil	10.8	10.4	6.5	7.4	10.0
Peru	38.0	33.9	36.1	30.2	29.5
Belgium	9.2	8.7	9.9	10.0	12.0
Russia	1.4	1.0	1.0	0.9	1.0
Others	7.8	6.1	7.0	7.1	7.5
Total World	**337.7**	**335.9**	**349.8**	**349.4**	**354.0**
Consumption					
China	134.0	132.4	149.1	153.8	158.4
Japan	30.4	27.2	31.5	29.7	27.0
Other Asia	64.6	60.2	65.4	63.0	66.0
USA	30.0	26.4	28.8	28.5	30.0
Other Americas	18.7	16.8	21.4	19.9	20.5
Europe	67.6	55.8	62.3	62.0	61.0
Others	3.4	2.9	3.6	3.4	3.5
Total World	**348.7**	**321.7**	**362.1**	**360.3**	**366.4**

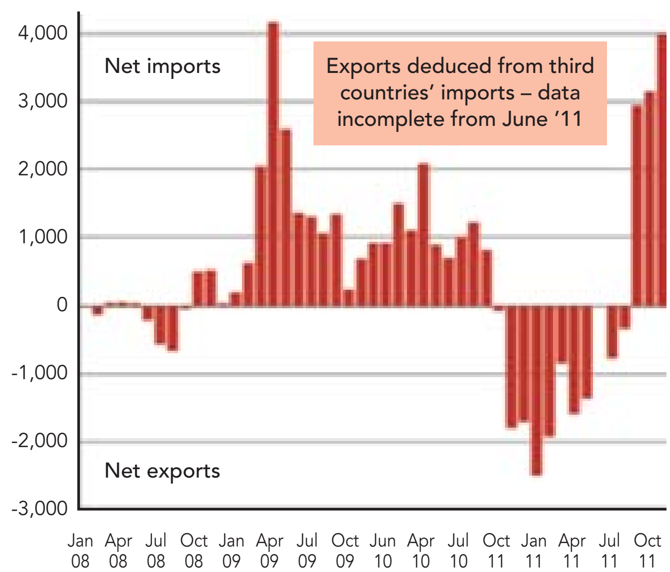
In the case of tin the inflow of speculative money coincided with a tightening of the physical market, as world tin use grew by some 13% and LME stocks fell to a low of just over 12,000 tonnes in October 2010. By this point LME prices had recovered to over USD25,000/tonne and there was a consensus view in the markets that prices of most metals (and especially copper and tin) would continue to rise through 2011 and possibly for several years more. In this bull market, tin was the top performer, with prices rising faster than all the other LME metals

Although there were set-backs along the way, the broad upward trend in metals prices continued until April 2011, when tin prices reached an all-time peak in nominal terms. However this final run-up in prices coincided with a move into oversupply. Because the LME price was at times at a premium to the Chinese domestic market between September 2010 and early May 2011, China exported large quantities of tin. Chinese net exports of some 12,000 tonnes more than accounted for the rise in LME stocks of some 10,000 tonnes in this period. In addition supply from small-scale Indonesian miners was rising strongly, while global solder shipments were falling.

From May 2011 to the end of the year all base metals prices plunged downwards on several occasions, as financial markets have come close to panic over issues of sovereign debt and deteriorating economic growth prospects. Just as tin rose faster than average in 2010, so it dropped most sharply in 2011. This partly reflects the relative illiquidity of the market,

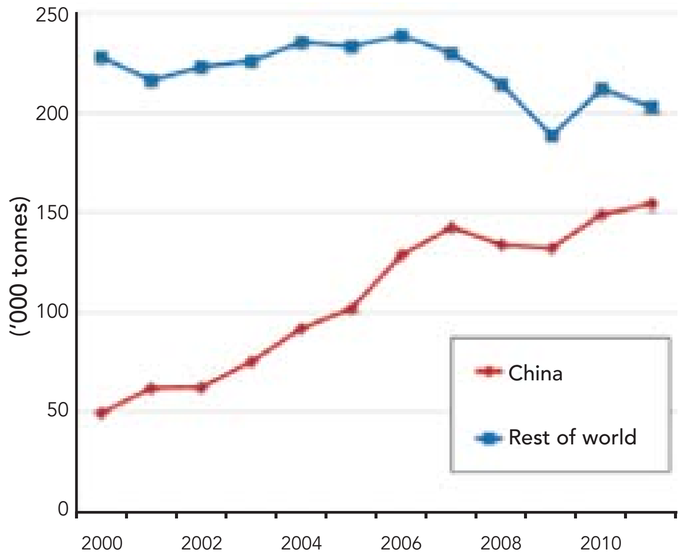
China a net importer again

Calculated trade balance in refined tin, tonnes

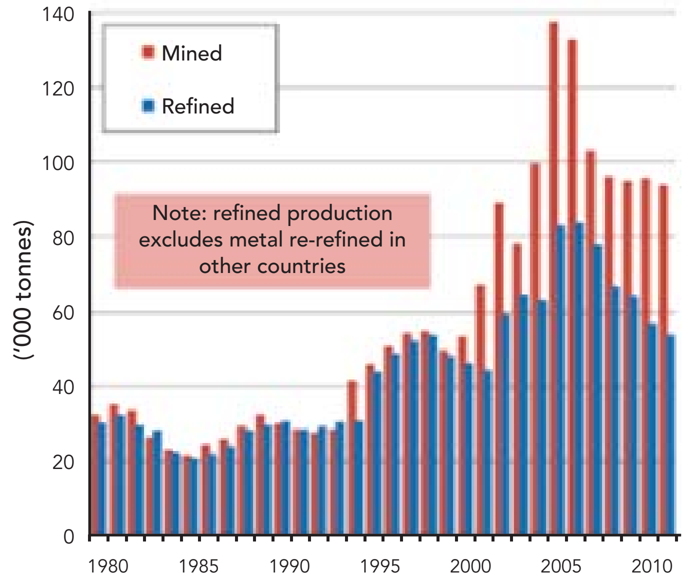


Tin Market Review 2011-2012 *(cont'd)*

Tin use in China stronger



Indonesia production has fallen



but also changed (more bearish) perceptions about the supply/demand position.

In the final months of 2011 tin supply tightened again, but market sentiment in all the base metals markets remained bearish. The fall in LME prices from August 2011 was greater than the decline in prices in China, so China has recently switched from net exporter to net importer again, resulting in a tightening of the physical market and another big draw-down in LME stocks. Another significant feature of the market in the final quarter was the voluntary "ban" on exports by Indonesian producers which came into force at the start of October 2011 and was meant to continue until the end of the year. However the halt in exports was undermined by continued large shipments to contract customers by PT Timah and the pressing needs of private smelters to obtain cash to finance ore purchases. The export halt broke down completely at the end of November 2011. Despite this, the trend in tin prices sharply reversed in January 2012 as investor confidence revived and all metals prices rose strongly. Tin was again the fastest moving, recovering to over USD25,000/tonne.

THE TIN SUPPLY/DEMAND OUTLOOK

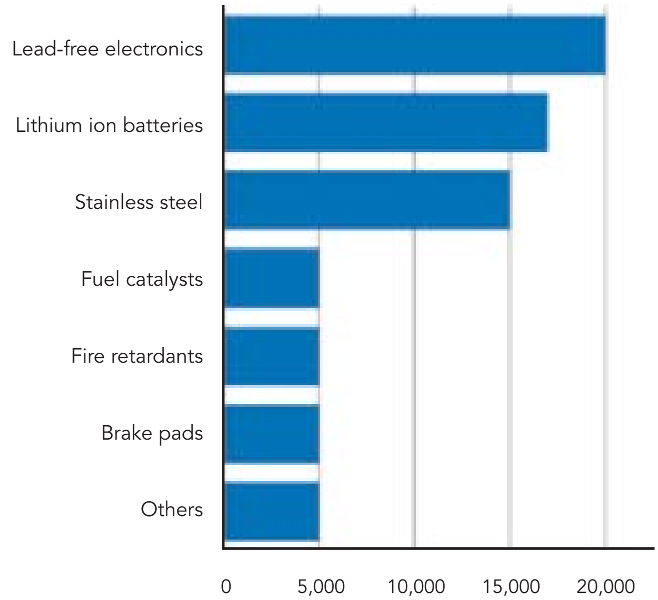
ITRI estimates that world usage of refined tin exceeded production by a margin of about 11,000 tonnes in 2011. There was also a supply deficit in 2010 and – assuming there is not a global "double-dip" recession – further shortfalls are expected in 2012 and probably 2013 too. The two critical drivers of the market balance are the boom in Asian electronics production and flat or declining production in most major producing countries.

World Supply/Demand Balances in Refined Tin ('000 tonnes)	2008	2009	2010	2011	Forecast 2012
World					
World Refined Production	337.7	336.0	349.8	349.4	354.0
DLA Sales	7.7	3.7	0.0	0.0	0.0
World Refined Consumption	348.7	321.7	362.1	360.3	366.4
Global Market Balance	**-3.3**	**18.0**	**-12.3**	**-10.8**	**-12.4**
Reported stocks					
LME	7.8	26.8	16.4	12.1	5.0
Producers	12.2	7.7	8.1	6.0	6.0
Consumer/others	12.5	11.6	11.3	10.0	9.0
Total	**32.5**	**46.1**	**35.8**	**28.1**	**20.0**
World Stock Ratio					
(weeks consumption)	*4.8*	*7.5*	*5.1*	*4.1*	*3.0*

Tin Market Review 2011-2012 *(cont'd)*

Tin technology opportunities

Potential use tpa (medium term)



After a small temporary set-back in 2008-2009, tin usage in China has bounced back to a new record level of some 154,000 tonnes in 2011, accounting for 43% of world consumption. China's growth is mainly related to booming production of consumer electronics products, which has continued to advance at double-digit growth rates. Production of mobile phones and personal computers rose by some 20% and 30% respectively in 2011, with China accounting for around a half of global shipments. China's tin consumption has also been boosted by a rapid expansion of tinplate production capacity, which had risen from 1.4 million tonnes per year in 2000 to 6.8 million tonnes per year in 2010 and will reach 8 million tonnes per year by 2013.

Outside China the consumption picture is not so healthy, with usage falling again in 2011 after the 2010 recovery. This disappointing performance is partly due to the weakness of the European and US economies and also the disruptions to electronics and other industry supply chains caused by natural disasters in Japan and elsewhere. Another general factor adversely affecting tin usage is continuing substitution and economisation in major applications like solders, tinplate and tin chemicals. The biggest negative factor is miniaturisation in electronics, in combination with changes in circuit board assembly technologies. However over coming years these negative factors should be more than offset by the growth of new applications, which are described in the "New Opportunities for Tin" section. Based on its current assessment of the economic outlook and technology changes, ITRI forecasts that world demand should grow by about 2% in 2012.

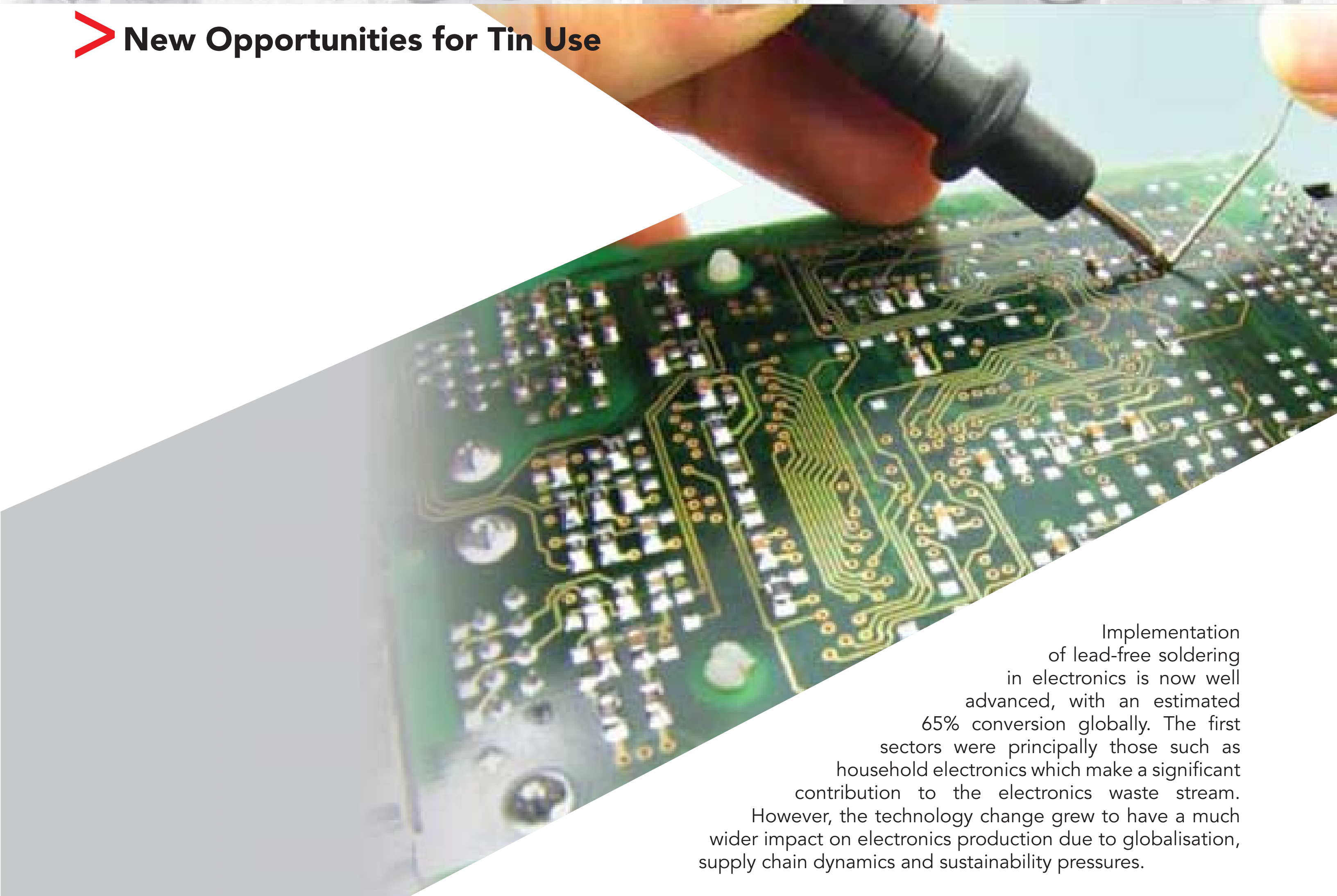
Very little growth in world production is likely in 2012. Although the decline in production by small-scale mines in Indonesian was temporarily arrested by high prices in 2010-2011, falling ore grades and rising production costs will continue to eliminate marginal operations there. Meanwhile plans to add to larger-scale offshore dredging capacity have been delayed. Elsewhere in the world there may be a modest revival in production in Brazil, increased secondary production in Belgium and perhaps a revival in Central African supply. However no significant new mines are likely to start up anywhere in the world for at least two or three years. Very few mine projects have reached bankable feasibility stage and the small companies developing these still face major hurdles in obtaining financing them through to production start-up. This range of supply constraints will continue to underpin tin prices for some years to come.

Leading Tin Companies
(Production, tonnes refined tin)

Company	2007	2008	2009	2010	2011	% change
Yunnan Tin (China)	61,129	58,371	55,898	59,180	56,174	-5.1%
Malaysia Smelting Corp	**25,471**	**31,630**	**36,407**	**38,737**	**40,267**	**3.9%**
PT Koba Tin (Indonesia)	**7,724**	**7,109**	**7,455**	**6,644**	**6,332**	**-4.7%**
Total MSC Group	**33,195**	**38,739**	**43,862**	**45,381**	**46,599**	**2.7%**
PT Timah (Indonesia)	58,325	49,029	45,086	40,413	38,147	-5.6%
Minsur (Peru)	35,940	37,960	33,920	36,052	30,205	-16.2%
Thaisarco (Thailand)	19,826	21,731	19,300	23,505	23,864	1.5%
Yunnan Chengfeng (China)	17,064	13,500	14,947	14,155	15,430	9.0%
Guangxi China Tin (China)	13,193	12,037	10,500	14,300	15,375	7.5%
EM Vinto (Bolivia)	9,448	9,544	11,805	11,520	10,965	-4.8%
Metallo Chimique (Belgium)	8,372	9,228	8,690	9,945	10,007	0.6%
Gejiu Zi-Li (China)	8,234	7,000	5,600	9,000	8,600	-4.4%

Data: ITRI.

New Opportunities for Tin Use



More than 15 new technologies could represent significant new use for tin over the next 5-10 years.

These include continued implementation of major technologies such as lead-free soldering for electronics, newly launched commercial products in key sectors such as lithium ion batteries and stainless steel and a whole range of new technologies still in the development stage.

They are balanced by other technology threats, notably miniaturisation of electronics. However the overall picture looks very positive for tin over the medium term.

LEAD-FREE ELECTRONICS

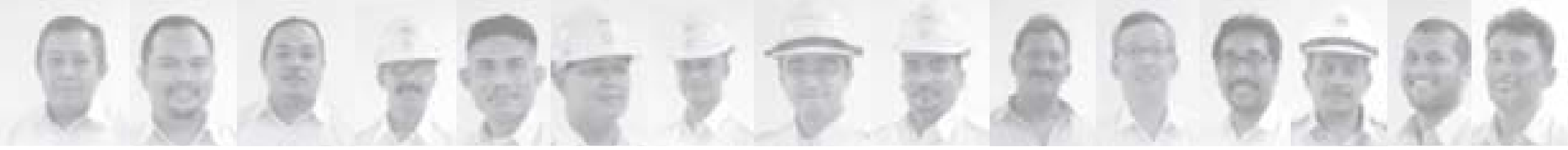
Introduction of lead-free solders over the last decade is something of a revolution in the electronics industry, changing the basic glue that holds together equipment key to modern quality of life, communications, transport and security. Lead-free solders contain more than 95% tin and today around half of all tin is used in solder.

Implementation of lead-free soldering in electronics is now well advanced, with an estimated 65% conversion globally. The first sectors were principally those such as household electronics which make a significant contribution to the electronics waste stream. However, the technology change grew to have a much wider impact on electronics production due to globalisation, supply chain dynamics and sustainability pressures.

The original driving force for conversion was the EU RoHS Directive in force since 2006. A revision has been published in 2011, with a controversial widening of the scope to all electrical and electronic equipment not specifically excluded or exempted. Categories such as industrial monitoring control equipment and medical devices have been given new deadlines for transition.

At the same time a set of new regulations are also being published in China, solder's largest sector, significantly increasing pressure on its national market. New 'India RoHS' policies have also been announced, to come into force in May 2012.

Military and aerospace markets are specifically excluded from the RoHS Directive but in fact pressure to convert in the marketplace is still growing strongly. As lead-free components become the majority offering, the costs, inventory pressures and obsolescence risks associated with continued sourcing of leaded components become greater. Added to this is the trend towards more outsourcing of electronics assembly, leading to commercial pressures from contractors who need to reduce dual-streaming of lead-free and leaded production. Major US military and aerospace consortia, including NASA, have been actively assessing lead-free technologies during the year, with significant US government funding, although there is still an obvious reluctance to implement any changes.



New Opportunities for Tin Use *(cont'd)*

A key concern of these sectors is related to reliability of lead-free solders and some new technologies are being developed that may help. These include additions of particles into the solders to make composite or nanocomposite products that are very significantly stronger. It will take some time yet for research to develop these into viable commercial products.

The automotive sector is also converting to lead-free technology 'faster than expected' even though they also are excluded from the RoHS Directive scope.

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 tonnes pe annum tin.

LITHIUM ION BATTERIES

Tin can make lithium ion batteries last more than three times longer. This can help meet a huge demand for better batteries in mobile phones, cameras, iPads and other mobile devices. A new market for tin, this looks set to grow fast, especially if lithium ion batteries are used in hybrid cars.

Lithium ion batteries are considered to be the most promising energy storage technology for mobile electronics, electric vehicles and renewable energy systems (e.g. wind and solar power).

Opportunities for tin have primarily arisen in the anode material, and commercial batteries from Sony and 3M already contain tin. Mitsubishi Materials plans to commercialise a newly developed tin alloy anode in 2012, and expects to capture at least 35% market share within 5 years.

Replacement of graphite as the anode material in all current batteries by a tin-based composite material could generate a new tin usage of some 17,000 tonnes per annum. Potential tin consumption would be much higher if there was widespread usage of lithium ion batteries in electric vehicles.

Research in the field is in progress across the world, with teams working on several different routes to optimising the tin technology. This can be achieved if the tin can be stabilised within the carbon structure to prevent it from expanding and contracting during battery use. One example of such research at Cambridge University, UK has deposited the tin inside carbon nanotubes.

Tin also has potential in the cathode and electrolyte parts of the battery, although research is at an early stage and significant additional tin consumption is unlikely in the short term.

STAINLESS STEEL

Tin is set to create a whole new generation of stainless steel. Nippon Steel has launched a new more sustainable stainless steel grade that uses no nickel and less chromium. Tests show it is also more corrosion resistant and more formable.

In January 2011 Nippon Steel, Japan announced an entirely new generation of stainless steel - NSSC FW series - based on tin. Sumikin Stainless Steel, Japan's largest stainless steel producer is a partner in the development. The products were awarded a 2010 Nikkei Superior Products and Services Award.

The technology uses a very small amount of tin to replace all of the nickel and some of the chromium in two grades FW1 and FW2 (0.11% tin and 0.13% tin respectively). It is claimed to have a corrosion resistance equal to existing products and a better formability. A reduction in nickel and chromium is a desirable objective in the industry for reasons of cost fluctuation and sustainability.

Nippon Steel has stated that the new grades were "most likely to be ranked with the two major grades representing half the market" for stainless steel. Given that the 2010 total world market for stainless steel was 30.5 million tonnes, such an equation would represent around 17,000 tonnes pe annum new tin.

New Opportunities for Tin Use *(cont'd)*

This new technology needs to be fully assessed before clear conclusions can be drawn about timescales and probabilities that might lie behind such projections.

Japan's share of the stainless steel market is small compared to major producer China, for example. There are also other competitive technologies for nickel-free stainless steel. Nevertheless this has to be seen as a positive opportunity for tin, likely to have a significant impact of future markets.

FUEL CATALYSTS

Tin can save up to 10% of fuel consumption in vehicles, ships and generators. Invented in Russia in World War II fuel catalysts are just a simple tin alloy put inside a fuel tank or fuel line. Research is underway around the world to find out how this remarkable product actually works.

At least 10 manufacturers currently operate globally and sales have mainly been in the automotive and marine sectors. However, widespread scepticism of the claims made for the technology has severely hampered market penetration.

Tin industry organisation ITRI is actively working in this field, both with regard to substantiating performance benefits and finding the mechanism of action of the catalyst on the fuel.

Although current tin usage is only a few tens of tonnes per annum, a successful outcome to global research and further improvement of catalytic efficiency could realistically lead to annual tin consumption in the 5,000-10,000 tonne range.

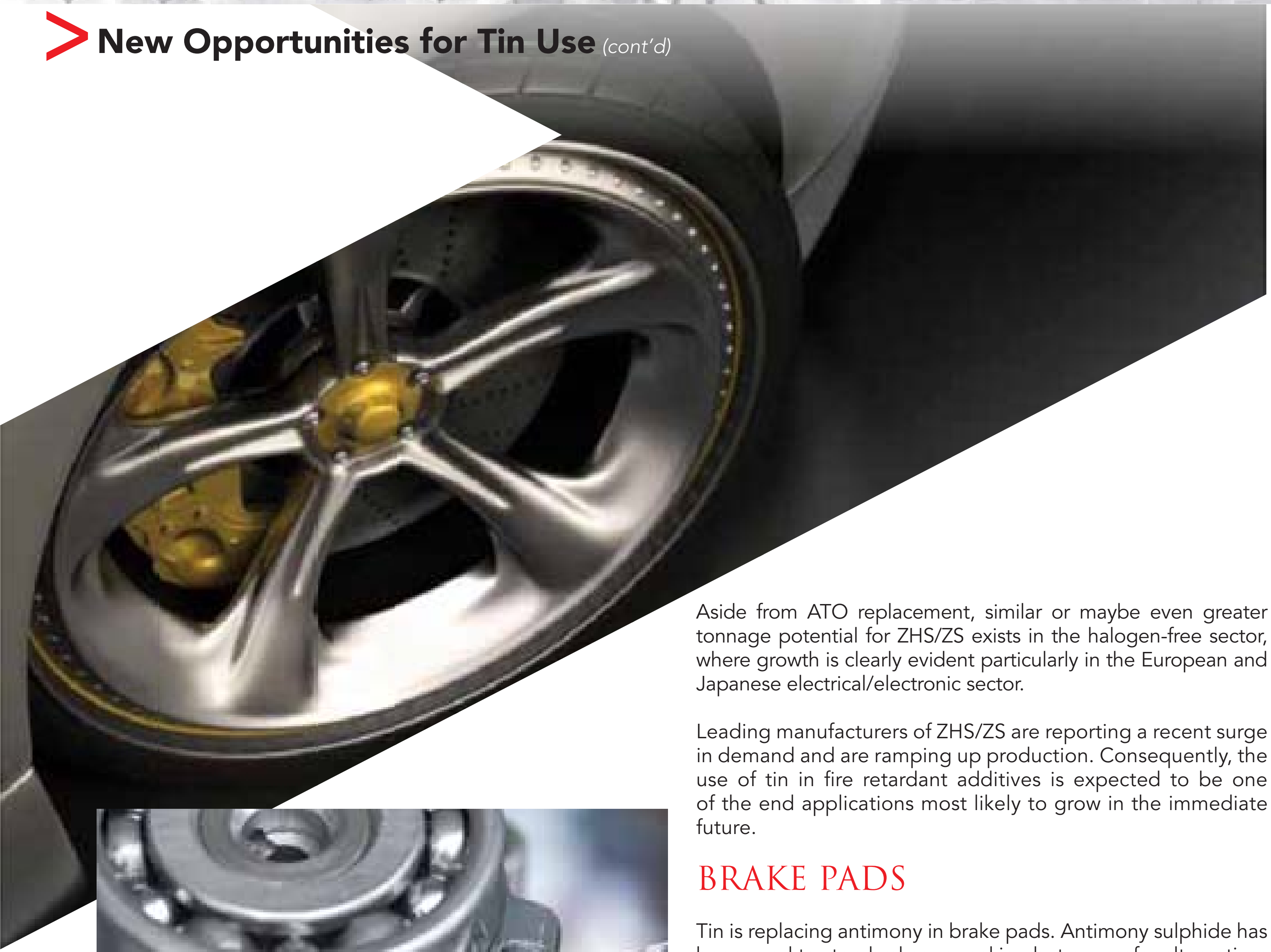
FIRE RETARDANTS

Tin is replacing antimony fire retardants used in most plastics. Stopping fire and smoke saves lives and tin has been shown to work well. Until now antimony trioxide has been widely used but more sustainable alternatives are needed and zinc stannate use is growing fast.

Tin-based fire retardants, primarily zinc hydroxystannate (ZHS) and zinc stannate (ZS), have been commercially available since the early 1990s. Originally developed as non-toxic replacements for antimony trioxide (ATO), global sales have grown slowly but steadily over the past 15 years or so.

However, widespread usage has been hampered mainly because of the high cost compared with ATO. Substitution of ATO by safer alternatives has become a priority issue for many end users because of its classification as a Category 3 carcinogen and a skin irritant, and the search for viable replacements has intensified recently because of the all-time high antimony price.

Global ATO consumption is estimated at over 90,000 tonnes per annum and it is widely expected that alternative fire retardants, including ZHS/ZS, could replace at least 10-20% of this market in the next 3-5 years.



Aside from ATO replacement, similar or maybe even greater tonnage potential for ZHS/ZS exists in the halogen-free sector, where growth is clearly evident particularly in the European and Japanese electrical/electronic sector.

Leading manufacturers of ZHS/ZS are reporting a recent surge in demand and are ramping up production. Consequently, the use of tin in fire retardant additives is expected to be one of the end applications most likely to grow in the immediate future.

BRAKE PADS

Tin is replacing antimony in brake pads. Antimony sulphide has been used to stop brakes squeaking but now safer alternatives are needed. Tin can be used in a cheaper and more sustainable technology where tin and sulphur react together inside the pad when the car brakes.

Brake pads are complex mixtures with proprietary blends of substances designed to achieve maximum braking performance without degradation, squealing and other problems. Antimony trisulphide is extensively used as a solid lubricant in friction materials such as brake pads, although health and safety concerns for industry workers, combined with environmental issues relating to highway pollution, have driven the demand for safer, non-toxic products.

A proprietary tin sulphide product has been on the market for some time, although its high cost compared to the antimony product has somewhat restricted its use. Nonetheless, it has been suggested that significant quantities of tin are already in use in the EU.

More recently, a novel tin technology has been launched based on a simple combination of tin and iron sulphide that reacts under braking friction to produce tin sulphide inside the pad. The product offers outstanding performance at a price that is closer to that of antimony trisulphide. Industry trials are in progress in Europe and Japan.

New Opportunities for Tin Use *(cont'd)*

LEAD-FREE BEARINGS

Tin is replacing lead in bearings used in cars. Lead-bronze white metal bearings have been used for decades in cars and other applications but lead is being phased out in this market.

Up to 12% tin is now being used in new lead-free bearings launched by major European automotive suppliers Federal Mogul, Miba and ECKA.

SOLAR CELLS

Tin is ahead in the race for the next generation of cheaper solar cell materials. Today solar cells use expensive and rare elements such as gallium and more 'earth-abundant' materials are needed. Kesterite, containing 30% tin, was the first to cross the 10% efficiency barrier in an IBM research laboratory.

Solar cell technology (often referred to as 'photovoltaics') is advancing rapidly and is recognised as being the leading alternative energy source. Conventional bulk silicon modules are being superseded by thin film photovoltaic assemblies and this new technology is expected to dominate the solar cell market in the years ahead.

Tin oxide already has a modest use in transparent conducting oxide top layers (used extensively in current technologies). These are mainly indium – tin oxide (ITO) conductive films, but gradual replacement of ITO by more sustainable fluorine doped tin oxide could increase consumption.

Potential replacement materials for cadmium telluride (CdTe) and copper – indium – gallium – selenide (CIGS) in the light absorbing layer itself could include the 30% tin containing material, kesterite (copper – zinc – tin sulphide) if the 10% efficiency measured by IBM can be increased further.

New Opportunities for Tin Use *(cont'd)*

ANIMAL HEALTHCARE

Tin and zinc work well together to heal wounds and kill bacteria. A new range of animal healthcare products is being launched in the US, including pet and agricultural treatments. The biggest new use may be in footbaths for treating hoof rot in dairy cattle.

A US-based company, Visions Marketing, is launching a range of animal healthcare formulations for preventing and treating skin diseases in bovine, equine, canine and other animal sectors. These formulations, comprising aqueous preparations of tin(II) fluoride and zinc sulphate, are patented and being marketed in the US under the 'Accelerator' trade name.

Future developments, including human healthcare products, are already under consideration.

TOOTHPASTE

Tin is a key ingredient in 'the world's best toothpaste'. After years of research Oral-B launched ProExpert toothpaste, choosing tin to provide unique added benefits. Most toothpastes use normal fluoride but stannous fluoride also kills bacteria and fills microscopic holes in teeth.

One of the longest established pharmaceutical uses of tin compounds is that of tin(II) fluoride and, to a lesser extent, tin(II) pyrophosphate, in toothpastes, dentifrices, topical solutions and mouthwashes. The US Food & Drug Administration (FDA) has approved tin(II) compounds in toothpastes at levels up to 0.4%, and the American Dental Association has approved topical treatments containing up to 8% tin(II) fluoride.

The generic sector of oral healthcare has been highlighted as a likely growth area for tin chemicals in the medium term. In the late year or so there has been significant new patent activity by the major players in this market – Procter & Gamble, Unilever Colgate, Palmolive and Gaba International – all involving tin(II) salts in dental formulations.

Organizations like MSC Group exist within networks of stakeholders and face the potentially conflicting demands of these stakeholders. For MSC Group, our stakeholders include our employees, shareholders, our customers, suppliers, the local communities, government authorities and our financiers. To balance the diverse needs and to achieve the successful implementation of business sustainability, the Group is mindful that we need to build bridges with our stakeholders in the pursuit of common goals and a 'win–win' outcome for the organization and our stakeholders.

We recognise that our business has strong and direct social, environment and economical impact in the locations where we operate. Therefore we have made business sustainability an integral part of our operations and strategy. As the organization evolves over time, we have progressively incorporated environmental and social concerns in our business plans to make them relevant to prevailing needs and also in line with the best practices of corporate governance.

HUMAN RESOURCES

Human resource management remains a key priority for the group to gain competitive edge in the mining industry. We value contributions of our employees and recognize that our success depends on the capabilities and dedication of our people in delivering results. Therefore, we strive to provide a workplace where employees feel inspired and confident to achieve their professional goals and at the same time offer development and training opportunities to assist them in attaining their full potentials.

As part of an ongoing commitment to the development of human resources, MSC Group has allocated resources for the education and training of its employees and arranged for its employee to attend external and internal training in various disciplines on a regular basis. The staff training programme is formulated and designed according to their job requirements and responsibilities, to ensure that the employees receive appropriate training to carry out their assigned roles. In addition, the company also sends its employees for cross border training and exposure to our operations abroad for skills development.

To attract young talents as part of our succession plan, we work closely with local universities and colleges to position MSC group as the employer of choice for young graduates who wish to develop a career in the mining industry. Our subsidiary PT Koba Tin also provides practical training at the mine to undergraduates who are pursuing tertiary education in related fields, such as exploration, mining, mineral processing for them to acquire the relevant working experience.

Corporate Social Responsibility *(cont'd)*

LOCAL COMMUNITY

MSC Group is committed to contributing to the wellbeing of our local communities where we operate. We are actively involved in a broad range of programmes such as donations to charitable organizations and schools, provision of vocational training for community members, sponsoring of cultural and sports activities to meet the specific needs of the communities. Besides these social initiatives, MSC is also working in partnership with NGOs and with the government in various community development projects which include the building of infrastructure, religious and recreational facilities.

In Penang, the group has for many years been involved in the promotion of a healthy and active lifestyle for its staff and the local community. One of the most fruitful activities which have produced results is the promotion of squash among the juniors in the local community by providing free Squash Courts and coaching facilities to all who have an interest in this game. Through MSC Tin Club Penang, a management club was formed for the purpose of promoting sports and recreational activities, many junior squash players have been sent to numerous local as well as national tournaments under its sponsorship and incentive scheme. MSC intends to continue with its promotion of sporting activities among its staff members and the local community, not only in Squash alone but in other sports as well.

In Indonesia, our community programmes are directed at building harmonious relationships with stakeholders and to create conditions that are conducive to the growth of the company. Specifically, PT Koba Tin has undertaken the following community development programmes during the year:

- Education assistance to primary and secondary schools in the two regencies (Bangka Tengah and Bangka Selatan) – sports equipment, football field, teaching aids including laboratory apparatus,
- Development of cottage industry skills - handicraft from bamboo and rattan,
- Continuing with award of scholarships to deserving students at the high school and tertiary education levels
- Assistance in upgrading of teaching skills among school teachers
- Providing basic facilities for cattle rearing and fish aquaculture
- Infrastucture development - improvements to access roads and bridges including widening of pavements (previously these are mine roads) for access to the villages and towns,
- Financial assistance for construction of public building including community halls and mosques in various villages – Padang Mulia, Koba and Simpang Perlang.
- Site preparation and earthworks for construction of new marketplace for Koba
- Assistance with improvements of the local government hospital facilities

To monitor the impact of our programmes to the communities, regular meetings were held with senior representatives of each community to discuss progress and implementation of the programmes; and to address any issues, concerns or complaints that may arise.

SAFETY AND HEALTH

MSC Group places great importance on the safety and health of our workforce. We instill a culture of continuous improvement in our health and safety policies through active management, monitoring and compliance with all safety and regulatory standards. As part of our effort to increase awareness of safety and environmental practices at the workplace, regular trainings were provided to staff as well as subcontract employees.

At PT Koba, besides complying with Indonesian safety laws and regulations, the operational activities also conform to the requirements of OHSAS:18001. Some of the occupational safety and health programmes undertaken by PT Koba during the year were:

- talks, campaigns, inspections and meetings on safety and health;
- competency assessment for operational supervisory of employees and contractors;
- training on fire fighting and maintenance of fire-fighting equipment;
- investigation on mine accidents, property damages and fire incidents so as to avoid recurrence of similar accidents in the future;
- training for operators of heavy machineries;
- participation in safety and health programmes conducted by the Ministry of Energy and Mineral Resources;
- replacement of faulty personal protective equipment;
- installation of safety banners and signages at various potential hazardous areas;
- measuring and monitoring of noise, lightings and climate at work place; and
- joint safety inspections with mine inspectors from ESDM and local mines inspectors from the Province and Regencies of Bangka Tengah and Bangka Selatan.

For the year under review, PT Koba was recognized for its superior safety performance and received the Bronze award for Mine Safety from the Directorate General of Mineral and Coal (ESDM) of Indonesia.

Corporate Social Responsibility *(cont'd)*

ENVIRONMENT

Fully cognizant that our operations must be carried out in a responsible manner to preserve the environment, we strive to comply with the highest environmental standards within the communities impacted by our presence. Some of the ongoing environmental initiatives are preservation of water resources by conservation, recycling and minimising pollution, reduction of harmful emissions and waste, and developing new means of waste disposal.

At RHT, recycling of water is being continued for all the process water that is discharged from the tin processing plants by pumping back from the tailings ponds. 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 reservoirs within the tailings areas. With the closed loop system, there is no discharge of mine effluent from the tailings areas into the surroundings, except during the occasional heavy and sudden downpour. Any seepage or surface run-off water from RHT's mining leases is treated with calcium hydroxide (hydrated lime) before it flows out into the local streams and river systems.

In Indonesia, PT Koba ensures it operational activities comply fully with government rules and regulations with respect to environmental management as well as the requirements of the ISO 14001:2004. In addition, the company also participates in the annual Pollution Control, Evaluation, and Rating (PROPER) programme conducted by the Ministry of Environment for which it was awarded the Blue rating that signifies compliance with national regulatory standards for pollution control. PT Koba Tin also received the Silver award from Directorate General of Mineral and Coal of Indonesia (ESDM) in recognition for its excellence in the area of Mining Environmental Management

Reclamation of biodiversity in areas impacted by mining operations and maintenance of existing biodiversity in our concession areas are also among our top priorities. In July 2011, RHT initiated an experimental mine rehabilitation project in collaboration with the Forest Research Institute, Malaysia (FRIM), the only institution in Malaysia that is recognized by the government agencies as the authority for

reforestation projects, including rehabilitation. The experimental rehabilitation work was started at selected sites at RHT in August 2011, together with the establishment of a nursery. A tailings site and one area of about two hectares at the top west of the open-pit were selected for the initial stage of the experimental rehabilitation project.

On 27 October 2011, a collaborative rehabilitation project between FRIM and RHT was jointly launched by FRIM Director General, Dato' Dr. Abd Latif Mohmod, and RHT's Senior General Manager, Ir. Mohamed Yakub Ismail. To commemorate the event, seedlings of two local tree species, the Meranti Temak (Shorea hypochra) and Sungkai (Peronema canescens) were planted at the experimental tailings rehabilitation site. The close collaboration and strategic alliance between FRIM and RHT would be invaluable towards the successful rehabilitation of the RHT mine upon eventual closure.

Similarly at PT Koba Tin, a total of 1,182 hectares of land disturbed by mining activities have been levelled and 718 hectares re-vegetated or reclaimed. A total of 250,757 trees were used in the company's re-vegetation activities for the year. Re-vegetation of former mining ponds is crucial to impede erosion and help to accelerate the recovery of water pH. We are also collaborating with Toyota Tsusho (M) Sdn Bhd in planting Jatropha trees at ex-mining land to produce bio-diesel as the source of renewable energy.

Statement on Corporate Governance

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 explicitly 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.

The Board has a formal schedule of matters specifically reserved to it for decision. Such matters include the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and monitoring the financial and operating performance of the Group. This arrangement enables the direction and control of the Group to be firmly in the Board's hands.

The roles and functions of the Board, which include the differing roles of Executive Director and Non-Executive Directors as well as the schedule of matters reserved for the Board, are clearly delineated in a Board Charter.

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, the Board met on nine (9) occasions, where it deliberated upon and considered a variety of matters, including approving the Group's financial results, strategic and investments decisions, appointment and reappointment of Directors, annual operating and capital budgets as well as financial and operating performance of its subsidiary companies. Principal risks that have a significant impact on the Group's business or on its financial position, were identified, including measures to mitigate such risks.

A. DIRECTORS (cont'd)

Meetings (cont'd)

The agenda for each Board meeting and papers relating to the agenda items are endeavoured to be disseminated to all Directors at least five (5) days before the meeting to provide sufficient time for the Directors to review the Board papers and seek clarification, if any.

All proceeding from the Board meetings are recorded by way of minutes and signed by the Chairman of the meeting.

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

Meeting attended (out of 9)		
Directors		**Number of meetings attended**
*Mr Norman Ip Ka Cheung	Chairman, Independent Non-Executive Director	9/9
En Razman Ariffin	Senior Independent Non-Executive Director	9/9
Dato' Seri Dr Mohd Ajib Anuar	Executive Director	9/9
Mr Yeo Eng Kwang	Non-Independent Non-Executive Director	8/9
Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong	Non-Independent Non-Executive Director	9/9
Mr Chew Kwee San	Non-Independent Non-Executive Director	7/9
Mr Lim Sit Chen Lam Pak Ng	Independent Non-Executive Director	6/9
**Mr Mark Christopher Greaves	Non-Independent Non-Executive Director	5/9

* *Mr Norman Ip Ka Cheung became an Independent Non-Executive Director as of 1 January 2012. Prior to that he was a Non-Independent Non-Executive Director.*

** *Mr Mark Greaves became a Non-Independent Non-Executive Director as of 11 January 2012. Prior to that he was an Independent Non-Executive Director of the Company. One of the Company's Board meetings during the year conflicted with his attendance at Bursa Malaysia Mandatory Accreditation Programme.*

Board Committees

The Board has delegated certain responsibilities to the following Board Committees, which operate within clearly defined terms of reference:

Board Committees	Key functions
Nominating Committee	Explained on pages 52 to 55 of this Annual Report
Remuneration Committee	Explained on pages 55 to 56 of this Annual Report
Audit Committee	Explained on pages 59 to 64 of this Annual Report

The Board periodically reviews the Committees' terms of reference and operating procedures. The Committees are required to report to the Board on all their deliberations and recommendations and such reports are incorporated in the minutes of the Board meeting.

A. DIRECTORS (cont'd)

Board balance

As the date of this statement, the Board currently has eight (8) members, comprising one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, one (1) Executive Director and four (4) Non-Independent and Non-Executive Directors. A brief profile of each Director is presented on pages 14 to 17 of this Annual Report.

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 and Practice Note (PN) No. 13/2002. The key elements 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.

The Directors, with their differing backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, legal and corporate affairs, marketing and operations. The Executive Director in particular is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The Independent Non-Executive Directors contribute significantly and bring forth independent judgment in areas relating to policy and strategy, business performance, allocation of resources as well as improving governance and controls. Together with the Executive Director who has intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is clear division of responsibilities at the head of the Group, to enable a balance of power and authority. The Board is led by Mr Norman Ip Ka Cheung as the Independent Non-Executive Chairman whilst the executive management of the Group is helmed by Dato' Seri Dr Mohd Ajib Anuar, the Group Chief Executive Officer.

The roles of Chairman and the Group Chief Executive Officer are clearly defined and approved by the Board in their individual position descriptions. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board and facilitates at Board meetings to ensure no Board member dominates discussion and relevant opinions amongst Board member are forthcoming. The Group Chief Executive Officer, supported by the Executive Management team, is responsible for the day-to-day management of the business as well as implementation of the strategic plan and policies established by the Board.

The Board is satisfied that the current Board composition fairly ref ects the investments of all the shareholders.

Supply of Information

The 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 Board is supplied with a comprehensive balance of financial and non-financial information covering strategic, operational, financial, regulatory, marketing and human resources issues to assist decision making and effective discharge of its responsibilities. Detailed periodic briefings on industry outlook and Group performance are also conducted to ensure the Board is well informed on the Group's position, corporate trends, prospects and emerging issues.

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;
- the 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 passes 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 and her removal from the post, if contemplated, is a matter for consideration by the Board as a whole.

A. DIRECTORS (cont'd)

Supply of Information (cont'd)

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

Appointments to the Board

Nominating Committee

The Nominating Committee comprises the following members:

Director		Meetings
Mr Chew Kwee San	Chairman, Non-Independent and Non-Executive Director	1/1
En Razman Ariffin	Independent and Non-Executive Director	1/1
*Mr Norman Ip Ka Cheung	Independent Non-Executive Director (Appointed on 23 February 2012)	–
**Mr Mark Christopher Greaves	Independent and Non-Executive Director	1/1

* *Mr Norman Ip Ka Cheung became an Independent Non-Executive Director as of 1 January 2012. Prior to that he was a Non-Independent Non-Executive Director.*

** *Mr Mark Greaves became a Non-Independent Non-Executive Director as of 11 January 2012. Prior to that he was an Independent Non-Executive Director of the Company.*

The Nominating Committee is empowered by the Board through clearly defined 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, the Board Committees and contribution of each individual Director on an annual basis. Furthermore, the Nominating Committee also reviews the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board.

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. One (1) meeting was 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.

A. DIRECTORS (cont'd)

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 under the auspices of 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 trainings attended by the Directors during the financial year are as follows:

Director	Nature of course
Mr Norman Ip Ka Cheung	• Audit Committee Essentials - Module 2 Mar 2011 • Risk Management Essentials - Module 3 Mar 2011 • Practical Guide for Improved Financial Governance - Roles and Responsibilities of the Board and the Management in Establishing Good Governance Practices. May 2011 • Officer/Directors' Duties and Obligations and Insider Trading 30 June, 2011 • Understanding the Regulatory Environment in Singapore: What Every Director Ought to Know 8 July, 2011 • Practical Guides for Corporate Actions - Module 2 4 August, 2011. • 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; The Director's Role in Investor Management, The Director's Role in Risk Management 15 November, 2011
Dato' Seri Dr Mohd Ajib Anuar	• Mines and Money Conference, Hong Kong 22 – 25 March, 2011 • ITRi China Tin Seminar 2011 25 – 27 May, 2011 • Africa Downunder 31 August – 2 September, 2011 • TIC Conference in Almaty 16 October – 19 October, 2011 • Mines and Money London 2011

A. DIRECTORS (cont'd)

Directors' training (cont'd)

Director	Nature of course
En Razman Ariffin	• 3rd Annual Corporate Governance Summit 2011: Detection, Red Flags & Investigation 26 and 27 May, 2011 • Cranfield Executive Leadership Forum: The Makings of Global Leader 5 July, 2011 • Eminent Person's Lecture: Tin – An Under-Exploited Resource in National Wealth Creation 20 September, 2012
Mr Yeo Eng Kwang	• ITRi China Tin Seminar 2011 25 – 27 May, 2011
Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong	• Financial Reporting Standards: 2011 Annual Update 27 May, 2011 • Growing Enterprise Management Programme Module 4: Practical Guides for Improved Financial Governance 31 May, 2011 • Growing Enterprise Management Programme Module 5: Practical Guides for Investor & Media Relations 31 May, 2011 • Effective Board Leadership (EBL) Programme Module 1: Effective Board 20 September, 2011 • 2011 Ernst & Young Asia Pacific Tax Symposium and Transfer Pricing Forum 15 – 17 November, 2011
Mr Lim Sit Chen Lam Pak Ng	• Pan European Business Forum October 2011 • Commonwealth Business Forum, Perth, Australia October 2011 • Creative Strategy October 2011
Mr Chew Kwee San	• SGX: What's Going on for 2011, How Can We Help Directors and Listed Company? 18 Feb, 2011 • China International Tin Seminar 25– 27 May, 2011 • LCD Module 4: Nominating Committee Essentials 16 August, 2011 • Sustainability in the 21st Century: Strategies for Economic and Social Development 28 Oct – 30 Oct, 2011

A. DIRECTORS (cont'd)

Directors' training (cont'd)

Director	Nature of course
Mr Mark Christopher Greaves	• Bursa Malaysia Mandatory Accreditation Programme 23 & 24 February, 2011 • SGX-SID EBL Module 1 – Practical Guides for Achieving Board Effectiveness 3 March, 2011 • SGX-SID LCD Module 4 – Nominating Committee Essentials 7 April, 2011 • EBL Module 3 – Enterprise Risk Management 11 October, 2011

Re-election

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

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

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee comprises exclusively of the following members:

Director		Meetings
Mr Norman Ip Ka Cheung	Chairman, Independent and Non-Executive Director	1/1
En Razman Ariffin	Independent and Non-Executive Director	1/1
Dato' Seri Dr Mohd Ajib Anuar	Executive Director	1/1

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. The Remuneration Committee also ensures the level of remuneration for Executive Director is linked to the level of responsibilities undertaken and contribution to the effective functioning of the Board. The Executive Director, as a member of the Remuneration Committee, did not participate in any way in determining his own remuneration.

The Board as a whole determines the remuneration packages of Non-Executive Directors with the Directors concerned abstaining from discussion in respect of their individual remuneration. In deciding on an appropriate level of fees for each Non-Executive Director, the Board has considered the responsibility level and time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers, as well as number of membership assumed on Board Committees.

Information prepared by independent consultants and survey data on the remuneration practices of comparable companies is also taken into consideration in determining the remuneration packages for Directors.

Further details of Directors' remuneration are set out below and in note 37 to the financial statements.

B. DIRECTORS' REMUNERATION (cont'd)

Details of Directors' remuneration

Details of major elements of the remuneration for Directors of the Company for the financial year ended 31 December 2011 are as follows:

Category	Basic salary and other emoluments (RM)	Fees (RM)	Benefits in kind (RM)	Total (RM)
Executive Director	1,367,292.00	30,000.00	129,137.00	1,526,429.00
Non-Executive Directors	–	420,000.00	–	420,000.00

The number of Directors and their remuneration categorised within the respective bands 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	–	5

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 enables the Board and Management to communicate effectively with investors, stakeholders and the general public.

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 year 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 operation results and cash f ows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved Financial Reporting Standards for entities other than private entities issued by the MASB 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 65 to 66 of this Annual Report provides an overview about the state of internal controls within the Group during the financial year ended 31 December 2011.

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 59 to 61 of this Annual Report.

A summary of activities of the Audit Committee during the financial year ended 31 December 2011, is set out in the Audit Committee Report on pages 62 to 64 of this Annual Report.

D. ACCOUNTABILITY AND AUDIT (cont'd)

Corporate social responsibility

The Group is committed to sustainable development. Safety, health and environment as well as community responsibilities are 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 2011, 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 26 March 2012.

Audit Committee

Terms of Reference

1. Objectives

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

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

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

2. Composition

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

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

- must be a member of the Malaysian Institute of Accountants ("MIA"); or
- if not a member of the MIA, the person must have at least three (3) years of working experience and:
  - the person must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
  - the person must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- must have at least there (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 organisations which has been admitted as a full member of the International Federation of Accountants; or
- must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
- fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

If a member of the Committee resigns, 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 new members as may be required to fill the vacancy.

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

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

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

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

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

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

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

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

The Committee shall meet at least twice (2) a year with the External Auditors without the presence of any executive Board member. In addition, Management, the Internal 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 Committee's invitation.

4. **Authority**

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

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

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional or other advice it considers necessary.

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

5. **Responsibilities and duties**

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

- Review the 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, functions, competency and resources of the Internal Audit function and that it has the necessary authority to carry out its work;
- Review the internal audit programmes, processes, and reports to evaluate the findings of internal audit and to ensure that appropriate and prompt remedial action is taken by Management on the recommendations of the Internal Audit function;

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

- Review the performance of Internal Auditors, who will report functionally to the Committee, on an annual basis. Approve any appointment or termination of senior members of the Internal Audit function and take cognisance of resignations and providing the resigning members an opportunity to submit reasons for resigning;
- Review the external and internal audit reports to ensure that appropriate and prompt remedial actions are 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 employees to the Auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- 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 function;
- Review the adequacy and integrity, including effectiveness, of internal control systems, management information system, and the Internal Auditor's and/ or External Auditor's evaluation of the said systems;
- 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 accounting policies and practices;
  - significant adjustments or unusual events;
  - going concern assumptions; and
  - compliance with applicable approved Financial Reporting Standard, regulatory and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act, 1965, Listing Requirements of Bursa Malaysia and other legislative and reporting requirements;
- Review any related party transactions and conflict of interest situations that may arise within the Company or the Group, including any transactions, procedures or courses of conduct that raise question on Management's integrity;
- 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
- Carry out any other activities, as authorised by the Board.

Audit Committee Report

Membership

The directors who served as members of the Audit Committee (the "Committee") during the financial year ended 31 December 2011 and as at the date of this report are:

Composition of Audit Committee	
(i) En Razman Ariffin	Chairman, Independent Non-Executive Director
(ii) Mr Lim Sit Chen Lam Pak Ng	Independent Non-Executive Director
(iii) Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong	Non-Independent Non-Executive Director

Each member of the Committee is financially literate and has extensive years of relevant industry experience and a brief profile of each of the Directors is presented on pages 14 to 17 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 59 to 61 of this Annual Report.

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

Meetings

The Committee convened six (6) meetings during the financial year ended 31 December 2011. The details of attendance of each member at the Audit Committee meetings are as follows:

Director	Held	Attended
(i) En Razman Ariffin	6	6
(ii) Mr Lim Sit Chen Lam Pak Ng	6	6
(iii) Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong	6	6

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

The Company Secretary, as the secretary of the Committee, was present at all meetings. Representatives of the External Auditors, 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 pages 53 to 55 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 follows:

- Reviewed with the External Auditors:
  (i) Scope of work and audit plan for the financial year prior to the commencement of audit fieldwork;
  (ii) The Annual Report and 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 any Executive Board members 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;

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

- Reviewed the independence, objectivity and effectiveness of the External Auditors and the services provided, including non-audit services. Non-audit fees totaling RM16,650 were paid to the External Auditors during the financial year for the provision of advisory services in respect of the review of Statement on Internal Control and other review works;

- Reviewed the quarterly unaudited financial results announcements prior to recommending them to the Board for consideration and approval for release to Bursa Malaysia Securities Berhad and Singapore Exchange Securities Trading Limited. The review and discussions were conducted with the 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 adequacy and effectiveness of the governance and risk management processes as well as the internal control system through risk assessment reports from Group Risk Management Committee and the internal audit function. Significant risk issues were summarised and communicated to the Board for consideration and resolution;

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

- Reviewed the Annual Report and the audited financial statements of the Group prior to submission to the Board for its consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved Financial Reporting Standards for the entities other than private entities issued by the MASB. Any significant issues resulting from the audit of the financial statements by the External Auditor were deliberated; 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 consultant as a means to augment its efforts in conducting internal audit projects and reviews for the Group.

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

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

The total cost incurred for the Internal Audit function for the financial year ended 31 December 2011 is RM746,700

Further details of the activities of the Internal Audit function are set out in the Statement on Internal Control on pages 65 to 66 of this Annual Report.

Date: 26 March 2012.

Statement on Internal Control

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 2011.

Board responsibility

The Board acknowledges its 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.

Following the publication of the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance") by the Task Force on Internal Control in December 2001, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The Board, through its Audit Committee, regularly reviews the results of this process. The Board confirms that this process is in place for the year under review and that it accords with the Internal Control Guidance.

The Board has established key policies on the Group's risk management and internal control systems, including those establish in material joint ventures and associated companies, for the purpose of this statement.

Risk management framework

The Board fully supports the contents of the Internal Control Guidance and with the assistance of the Internal Audit function and external service providers, continually reviews the adequacy and integrity of the risk management process in place.

Management is responsible for the management of risks, including developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further independent assurance is provided by the Internal Audit function, which operates across the Group, and supported by internal audit co-sourcing arrangements with external service providers, as appropriate.

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

- A risk management structure which outlines the lines of reporting and responsibility at the Board, Audit Committee and Management levels have been established;

- 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;

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

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

Statement on Internal Control *(cont'd)*

Internal Audit function

The Group has in place an adequately resourced independent Internal Audit function, which provides assurance to Audit Committee on the adequacy and integrity of risk management, internal control and governance systems. The Internal Audit function meets the requirements of the Guidelines on Internal Audit Function released by the Institute of Internal Auditors Malaysia in July 2002.

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

Further details of activities undertaken by the Internal Audit function are set out in the Audit Committee Report on pages 62 to 64 of this Annual Report.

Other risk and control processes

Apart from risk management and internal audit, the Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include establishing limits of authority and publication of Employees Handbook, highlighting amongst others, policies and procedures on health and safety, training and development, equal employment opportunity, staff performance and handling misconduct. There are also established procedures for human opportunity, staff performance and handling misconduct. There are also established financial policies and procedures for major subsidiaries, covering core processes like tin trading activities, asset management, purchasing, payment, inventory and payroll.

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

The Group Chief Executive Officer reports to the Board on significant changes in the business and the external environment. The Group Chief Financial Officer provides the Board with quarterly financial information, which includes key financial indicators. This includes, amongst others, the monitoring of results against budget, with variances being followed up and Management action taken, where necessary. Where areas of improvement in the system are indentified, the Board considers the recommendation made by both the Audit Committee and Management.

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 2011 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 2011 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 26 March 2012.

CONTENTS

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

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
Profit net of tax	**56,656**	**38,602**
Profit attributable to:		
Owners of the Company	60,523	38,602
Non-controlling interests	(3,867)	–
	56,656	**38,602**

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, stated in the income statement as disclosed in Note 11 to the financial statements.

Dividends

The amounts of dividends paid by the Company since 31 December 2010 were as follows:

	RM'000
In respect of the financial year ended 31 December 2010 as reported in the directors' report of that year:	
Final dividend of 3 sen less 25% tax per share on 100,000,000 ordinary shares, paid on 12 May 2011	2,250
In respect of the financial year ended 31 December 2011:	
Interim dividend of 12 sen less 25% tax per share on 100,000,000 ordinary shares, paid on 28 September 2011	9,000
	11,250

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 18 sen per ordinary share less 25% tax, totalling RM13.5 million net for the financial year ended 31 December 2011.

The financial statements for the current financial year do not ref ect 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 2012.

Share capital

On 26 January 2011, a total of 25,000,000 new ordinary shares of the Company were allotted and issued in conjunction with the secondary listing of the Company's shares in Singapore Exchange Securities Trading Limited (SGX-ST). This resulted in the increase of the enlarged issued and paid-up share capital of the Company to RM100,000,000, comprising 100,000,000 ordinary shares of RM1.00 each. On 27 January 2011, the secondary listing was completed following the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each on the Main Board of SGX-ST.

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

Directors

The name of the directors of the Company in office since the 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	
Mr. Lim Sit Chen Lam Pak Ng *	
Mr. Mark Christopher Greaves	

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

In accordance with Article 101 of the Articles of Association of the Company, Dato' Seri Dr Mohd. Ajib Anuar, Mr. Chew Kwee San and Mr. Lim Sit Chen Lam Pak Ng retire by rotation at the forthcoming Annual General Meeting. Dato' Seri Dr Mohd. Ajib Anuar and Mr. Chew Kwee San, being eligible offer themselves for re-election whilst Mr. Lim Sit Chen Lam Pak Ng has advised of his intention to retire and therefore does not seek 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 2011	Bought	Sold	31 December 2011
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 2011	Bought	Sold	31 December 2011
The Company				
Direct interest				
Mr. Norman Ip Ka Cheung	250,000	–	–	250,000
Dato' Seri Dr Mohd. Ajib Anuar	800,000	9,000	–	809,000
En. Razman Ariffin	67,000	–	–	67,000
Mr. Lim Sit Chen Lam Pak Ng	–	5,000	–	5,000
Indirect interest				
Dato' Seri Dr Mohd. Ajib Anuar	–	200,000	–	200,000
Mr. Chew Kwee San	–	460,000	–	460,000
Mr. Mark Christopher Greaves	–	10,000	–	10,000

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.

Other statutory information (cont'd)

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

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

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) other than the contingent liabilities as disclosed in Note 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 26 March 2012.

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 75 to 173 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 2011 and of their financial performance and cash f ows for the year then ended.

The information set out in Note 44 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 26 March 2012.

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 75 to 174 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 26 March 2012.

Yap Fook Ping

Before me,

Commissioner for Oaths

Penang

Independent Auditors' Report

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

Report on the financial statements

We have audited the financial statements of Malaysia Smelting Corporation Berhad, which comprise the statements of financial position as at 31 December 2011 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 f ows 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 75 to 173.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements 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 2011 and of their financial performance and cash f ows 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, being financial statements that have been included in the consolidated financial statements.

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

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

Other reporting responsibilities

The supplementary information set out in Note 44 on page 174 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Lim Foo Chew
No. 1748/01/14(J)
Chartered Accountant

Penang, Malaysia

Date: 26 March 2012

Income Statements

For the financial year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue					
Tin mining and smelting revenue		**3,098,551**	2,738,834	**3,091,298**	2,726,985
Other items of income					
Dividend income	5	**–**	–	**41,410**	5,473
Interest income	6	**12,967**	6,374	**15,143**	9,171
Other income/(loss)	7	**2,372**	17,977	**(3,469)**	8,033
Expenses					
Employee benefits expense	8	**(76,845)**	(74,890)	**(24,937)**	(23,913)
Depreciation expense	15	**(13,618)**	(16,466)	**(1,448)**	(1,092)
Amortisation expense	16,17,21	**(29,948)**	(13,192)	**–**	–
Costs of tin mining and smelting		**(2,813,134)**	(2,513,695)	**(2,978,671)**	(2,649,046)
Finance costs	9	**(24,050)**	(22,366)	**(20,961)**	(18,564)
Other expenses	10	**(64,557)**	(50,943)	**(13,917)**	(17,612)
Total expenses		**(3,022,152)**	(2,691,552)	**(3,039,934)**	(2,710,227)
Share of results of associates and jointly controlled entity		**24,692**	4,382	**–**	–
Profit before exceptional losses		**116,430**	76,015	**104,448**	39,435
Exceptional losses, net	11	**(25,298)**	(154,478)	**(41,611)**	(135,457)
Profit/(Loss) before tax	4	**91,132**	(78,463)	**62,837**	(96,022)
Income tax expense	12	**(34,476)**	(21,768)	**(24,235)**	(16,738)
Profit/(Loss) net of tax		**56,656**	(100,231)	**38,602**	(112,760)
Attributable to:					
Owners of the Company		**60,523**	(80,249)	**38,602**	(112,760)
Non-controlling interests		**(3,867)**	(19,982)	**–**	–
		56,656	(100,231)	**38,602**	(112,760)
Earnings/(Loss) per share attributable to owners of the Company (sen per share)					
- Basic and diluted	13	**61.6**	(107.0)	**–**	–

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 2011

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) net of tax	**56,656**	(100,231)	**38,602**	(112,760)
Other comprehensive income:				
Foreign currency translation	**11,396**	(29,670)	**–**	–
Cumulative fair value loss on available-for-sale investment securities transferred to profit or loss	**–**	354	**–**	354
Net fair value changes on cash f ow hedges	**(801)**	8,340	**(801)**	2,433
Revaluation surplus on property, plant and equipment, net	**–**	3,759	**–**	682
Other comprehensive income for the year, net of tax	**10,595**	(17,217)	**(801)**	3,469
Total comprehensive income for the year	**67,251**	(117,448)	**37,801**	(109,291)
Total comprehensive income attributable to:				
Owners of the Company	**70,266**	(91,753)	**37,801**	(109,291)
Non-controlling interests	**(3,015)**	(25,695)	**–**	–
	67,251	(117,448)	**37,801**	(109,291)

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

Statements of Financial Position

As at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	**92,378**	94,523	**17,342**	13,046
Prepaid land lease payments	16	**1,254**	1,174	**–**	–
Base inventory		**3,000**	3,000	**3,000**	3,000
Intangible assets	17	**1,721**	1,547	**–**	–
Investment in subsidiaries	18	**–**	–	**88,725**	88,725
Investment in associates and jointly controlled entity	19	**174,181**	148,539	**62,236**	72,890
Investment securities	20	**17,736**	34,367	**17,736**	34,367
Other non-current assets	21	**99,172**	84,531	**–**	–
Other receivables	24	**4,523**	2,607	**4,523**	2,607
Deferred tax assets	33	**17,950**	11,083	**3,316**	1,256
		411,915	381,371	**196,878**	215,891
Current assets					
Inventories	23	**303,122**	404,320	**156,534**	283,608
Trade and other receivables	24	**309,030**	258,768	**333,703**	252,045
Other current assets	25	**4,570**	7,144	**4,362**	3,000
Tax recoverable		**7,525**	22,162	**–**	–
Derivative financial instruments	34	**–**	1,162	**–**	1,162
Cash, bank balances and deposits	26	**235,697**	119,244	**178,367**	78,378
		859,944	812,800	**672,966**	618,193
Assets of disposal group classified as held for sale	22	**–**	25,476	**–**	25,087
		859,944	838,276	**672,966**	643,280
Total assets		**1,271,859**	1,219,647	**869,844**	859,171
Equity and liabilities					
Current liabilities					
Provisions	27	**15,119**	6,088	**–**	–
Borrowings	28	**525,383**	618,648	**470,657**	569,973
Trade and other payables	29	**178,976**	146,175	**87,768**	84,484
Current tax payable		**20,600**	25,870	**2,829**	3,055
Derivative financial instruments	34	**419**	1	**419**	1
		740,497	796,782	**561,673**	657,513
Liabilities directly associated with disposal group classified as held for sale	22	**–**	11,309	**–**	–
		740,497	808,091	**561,673**	657,513
Net current assets/(liabilities)		**119,447**	30,185	**111,293**	(14,233)

Statements of Financial Position *(cont'd)*

As at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Equity and liabilities (cont'd)					
Non-current liabilities					
Provisions	27	**29,485**	20,067	**–**	–
Deferred tax liabilities	33	**645**	297	**–**	–
Borrowings	28	**38,070**	82,392	**23,794**	42,988
Derivative financial instruments	34	**865**	1,375	**865**	1,375
		69,065	104,131	**24,659**	44,363
Total liabilities		**809,562**	912,222	**586,332**	701,876
Net assets		**462,297**	307,425	**283,512**	157,295
Equity attributable to owners of the Company					
Share capital	30	**100,000**	75,000	**100,000**	75,000
Share premium	30	**76,372**	1,706	**74,666**	–
Other reserves	31	**1,073**	(8,589)	**4,931**	5,820
Retained earnings	32	**249,301**	199,940	**103,915**	76,475
Reserve of disposal group classified as held for sale	22	**–**	(3,256)	**–**	–
		426,746	264,801	**283,512**	157,295
Non-controlling interests		**35,551**	42,624	**–**	–
Total equity		**462,297**	307,425	**283,512**	157,295
Total equity and liabilities		**1,271,859**	1,219,647	**869,844**	859,171

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

Statements of Changes in Equity

For the financial year ended 31 December 2011

		Attributable to owners of the Company									Distributable	
				Non-distributable								
Group	Note	Total equity RM'000	Equity attributable to owners of the Company, 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	Non-controlling interests RM'000
At 1 January 2011		307,425	264,801	75,000	1,706	18,766	(28,067)	–	712	(3,256)	199,940	42,624
Total comprehensive income		67,251	70,266	–	–	–	10,551	–	(801)	(7)	60,523	(3,015)
Issue of ordinary shares	30	104,187	104,187	25,000	79,187	–	–	–	–	–	–	–
Share issuance expense	30	(4,521)	(4,521)	–	(4,521)	–	–	–	–	–	–	–
Disposal of disposal group classified as held for sale		(795)	3,263	–	–	–	–	–	–	3,263	–	(4,058)
Realisation of revaluation reserve	31	–	–	–	–	(88)	–	–	–	–	88	–
Dividend on ordinary shares	14	(11,250)	(11,250)	–	–	–	–	–	–	–	(11,250)	–
At 31 December 2011		462,297	426,746	100,000	76,372	18,678	(17,516)	–	(89)	–	249,301	35,551

Statements of Changes in Equity

For the financial year ended 31 December 2011

			Attributable to owners of the Company									
				Non-distributable							Distributable	
	Note	Total equity RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Revaluation 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	Non-controlling interests RM'000
Group (cont'd)												
At 1 January 2010		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

Statements of Changes in Equity *(cont'd)*

For the financial year ended 31 December 2011

			Non-distributable					Distributable
	Note	Total equity RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	AFS reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000
Company								
At 1 January 2011		**157,295**	**75,000**	**–**	**5,108**	**–**	**712**	**76,475**
Total comprehensive income		**37,801**	**–**	**–**	**–**	**–**	**(801)**	**38,602**
Issue of ordinary shares	30	**104,187**	**25,000**	**79,187**	**–**	**–**	**–**	**–**
Share issuance expense	30	**(4,521)**	**–**	**(4,521)**	**–**	**–**	**–**	**–**
Realisation of revaluation reserve	31	**–**	**–**	**–**	**(88)**	**–**	**–**	**88**
Dividend on ordinary shares	14	**(11,250)**	**–**	**–**	**–**	**–**	**–**	**(11,250)**
At 31 December 2011		**283,512**	**100,000**	**74,666**	**5,020**	**–**	**(89)**	**103,915**
At 1 January 2010		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 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Operating activities					
Profit/(Loss) before tax		**91,132**	(78,463)	**62,837**	(96,022)
Adjustments for:					
Amortisation of intangible assets	17	**176**	558	**–**	–
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	21	**29,698**	12,563	**–**	–
Amortisation of land lease payments	16	**74**	71	**–**	–
Bad debts written-off	10	**7,471**	37	**9**	37
Decrease in impairment of investment in subsidiaries	11	**–**	–	**–**	(135)
Deferred exploration and evaluation expenditure written-off	10	**–**	2,654	**–**	–
Depreciation	15	**13,618**	16,466	**1,448**	1,092
Dividend income received from an associate	5	**–**	–	**(28)**	(28)
Dividend income received from subsidiaries	5	**–**	–	**(41,382)**	(5,445)
Fair value changes in ineffective portion of derivatives designated as hedging instruments in cash f ow hedge	7	**509**	(3,751)	**509**	(212)
Fair value changes in interest rate swap	7	**(510)**	546	**(510)**	546
Loss/(Gain) on disposal of property, plant and equipment	7	**825**	(20)	**(123)**	–
Impairment of goodwill	17	**–**	5,188	**–**	–
Impairment of property, plant and equipment	15	**–**	2,013	**–**	–
Impairment of receivables	10	**14,808**	2,854	**8,936**	5,932
Impairment on mining assets	21	**–**	56,357	**–**	–
Impairment of investment in associates	11	**8,442**	96,638	**10,654**	135,414
Impairment of investment securities	10,11	**16,631**	472	**16,631**	472
Impairment of non-current asset classified as held for sale	11	**–**	–	**810**	–
Interest expense	9	**23,904**	22,234	**20,945**	18,555
Interest income	6	**(12,967)**	(6,374)	**(15,143)**	(9,171)
Net (gain)/loss on disposal of investment in associates		**–**	(3,705)	**–**	178
Net loss on disposal of disposal group classified as held for sale	11	**254**	–	**13,545**	–
Property, plant & equipment written-off	10	**94**	–	**1**	–
Provision for mine rehabilitation and severance benefits	27	**28,162**	14,399	**–**	–
Revaluation deficit on property	10	**–**	265	**–**	–
Reversal of impairment of receivables	7	**–**	(104)	**–**	(104)
Share of results of associates and jointly controlled entity		**(24,692)**	(4,382)	**–**	–
Unrealised loss/(gain) on exchange		**1,288**	(3,200)	**(2,072)**	4,888

Statements of Cash Flows *(cont'd)*
For the financial year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Operating activities (cont'd)					
Adjustments for: (cont'd)					
Unwinding of discount on provision	27	**130**	123	**–**	–
Write back of tin slag inventory	4	**(13,897)**	(7,860)	**–**	–
Operating cash f ows before changes in working capital		**185,150**	125,579	**77,067**	55,997
Decrease/(Increase) in inventories		**114,971**	(13,494)	**127,074**	(52,316)
Increase in receivables		**(67,956)**	(80,431)	**(79,736)**	(17,909)
Increase in amount due from subsidiaries		**–**	–	**(1,862)**	(8,283)
Increase in amount due from associates		**(916)**	(2,750)	**(913)**	(2,749)
Increase/(Decrease) in payables		**2,465**	74,922	**(15,007)**	25,249
(Decrease)/Increase in amount due to holding company		**(62)**	109	**(62)**	109
Decrease in amount due to a subsidiary		**–**	–	**(14,664)**	(458)
Increase/(Decrease) in amount due to an associate and a jointly controlled entity		**29,194**	(534)	**29,194**	(500)
Decrease in amount due to a related company		**–**	(1,396)	**–**	–
Cash generated from/(used in) operations		**262,846**	102,005	**121,091**	(860)
Income tax paid		**(30,516)**	(18,637)	**(15,195)**	(6,917)
Interest paid		**(23,254)**	(23,693)	**(20,269)**	(19,886)
Severance benefits paid	27	**(263)**	(3,430)	**–**	–
Net cash generated from/(used in) operating activities		**208,813**	56,245	**85,627**	(27,663)
Investing activities					
Acquisition of subsidiaries		**–**	965	**–**	–
Interest received		**11,062**	6,250	**9,455**	5,625
Net dividend received from an associate		**21**	21	**21**	21
Net dividend received from subsidiaries		**–**	–	**31,036**	4,084
Payment for an insurance scheme	27	**(11,234)**	(10,722)	**–**	–
Payment for corporate club membership	17	**(350)**	–	**–**	–
Payment for deferred mine development and deferred exploration and evaluation expenditure		**(42,346)**	(37,397)	**–**	–
Payment for prepaid land lease payments	16	**(141)**	–	**–**	–
Proceeds from disposal of property, plant and equipment		**438**	137	**323**	–
Proceeds from disposal of shares in an associate		**–**	16,988	**–**	16,988
Proceeds from disposal of disposal group classified as held for sale	22	**10,530**	–	**10,732**	–
Purchase of property, plant and equipment	15	**(12,171)**	(25,088)	**(5,945)**	(2,448)
Purchase of shares in associates		**–**	(3,529)	**–**	(3,529)
Net cash (used in)/generated from investing activities		**(44,191)**	(52,375)	**45,622**	20,741

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Financing activities					
Dividends paid on ordinary shares		**(11,250)**	(1,687)	**(11,250)**	(1,687)
(Repayment)/Drawdown of short term trade financing and other borrowings		**(110,653)**	94,916	**(110,653)**	67,101
Proceeds from issuance of ordinary shares, net		**99,666**	–	**99,666**	–
Repayment of term loans		**(30,595)**	(26,084)	**(9,181)**	(9,859)
Net cash (used in)/generated from financing activities		**(52,832)**	67,145	**(31,418)**	55,555
Net increase in cash and cash equivalents		**111,790**	71,015	**99,831**	48,633
Effect of changes in foreign exchange rates		**4,138**	(16,531)	**158**	(1,230)
Cash and cash equivalents as at 1 January		**119,769**	65,285	**78,378**	30,975
Cash and cash equivalents as at 31 December	26	**235,697**	119,769	**178,367**	78,378

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 2011 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 2011, 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 2011.

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

2.2 Changes in accounting policies (cont'd)

Description	*Effective for annual periods beginning on or after*
FRS 1 First-time Adoption of Financial Reporting Standards	*1 July 2010*
Amendments to FRS 2 Share-based Payment	*1 July 2010*
FRS 3 Business Combinations	*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*
Amendments to FRS 132: Classification of Rights Issues	*1 March 2010*
Technical Release 3 Guidance on Disclosure of Transition to IFRSs	*31 December 2010*
IC Interpretation 18 Transfers of Assets from Customers	*1 January 2011*
Amendments to FRS 7: Improving Disclosures about Financial Instruments	*1 January 2011*
Amendments to FRS 1: Limited Exemptions for First-time Adopters	*1 January 2011*
Amendments to FRS 1: Additional Exemptions for First-time Adopters	*1 January 2011*
IC Interpretation 4 Determining Whether an Arrangement contains a Lease	*1 January 2011*
Group Cash-settled Share based Payment Transactions (Amendments to FRS 2)	*1 January 2011*
Amendments to FRS 1 [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 3 [Improvements to FRSs (2010)]	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)]	1 January 2011

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:

<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 accounting for business combinations occurring after 1 July 2010. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The revised FRS 3 continues to apply the acquisition method to business combinations but with some significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

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.

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

2.2 Changes in accounting policies (cont'd)

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 39. The liquidity risk disclosures are presented in Note 38(c).

2.3 Malaysian Financial Reporting Standards (MFRS)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts ref ecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have started the assessment of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group and the Company consider that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

2.4 Basis of consolidation

Business combinations from 1 January 2011

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 acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

2.4 Basis of consolidation (cont'd)

Business combinations from 1 January 2011 (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.9(a). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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.

Business combinations before 1 January 2011

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash f ows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outf ow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to ref ect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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 inf uence. An associate is equity accounted for from the date the Group obtains significant inf uence until the date the Group ceases to have significant inf uence 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 2.24.

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.

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

2.9 Intangible assets (cont'd)

b) Other intangible assets (cont'd)

(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 2.14.

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.

(ii) Club membership

Club memberships were acquired separately and are amortised on a straight-line basis over the finite useful life.

2.10 Mineral exploration, evaluation and development expenditure

a) 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 2.14.

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.

b) 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 2.14.

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 expenditure 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)

2.11 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.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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)

2.13 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.

2.14 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 f ows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash f ows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that ref ects 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.

2.15 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.

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

2.15 Financial assets (cont'd)

(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.

(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.

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

2.15 Financial assets (cont'd)

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

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.

2.16 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)

2.16 Impairment of financial assets (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.

2.17 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.

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

2.19 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.

(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).

2.20 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outf ow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to ref ect the current best estimate. If it is no longer probable that an outf ow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that ref ects, 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.

2.21 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.

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

2.21 Financial liabilities (cont'd)

(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.

2.22 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.

2.23 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 f ows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash f ows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

2.23 Hedge accounting (cont'd)

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 a 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.

(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 f ow 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 f ow 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.

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

2.23 Hedge accounting (cont'd)

(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.

2.24 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 environment 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.

(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.

2.25 Non-current assets and disposal group held for sale

A component of the Group and the Company is classified as non-current asset and disposal group 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. Summary of significant accounting policies (cont'd)

2.26 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.

2.27 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will f ow 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 Group's right to receive payment is established.

(d) Tin warrant and other service charges

Revenue is recognised upon performance of services.

(e) Warehouse rent

Revenue is recognised on an accrual basis.

2.28 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.

2.29 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.

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

2.29 Income tax (cont'd)

(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.

2.30 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.

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

2.30 Employee benefits (cont'd)

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expense in the period in which the related services is performed. 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 statements 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 are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

2.31 Segment reporting

For management purposes, the Group is organised into operating segments based on business segments which are independently managed by the respective segment chief 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 2011, the amount of impairment loss recognised in profit or loss for available-for-sale financial assets was RM16,631,000 (2010: RM472,000).

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.

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

3.2 Key sources of estimation uncertainty (cont'd)

(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) 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.

(e) Deferred tax assets

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

Assumptions about generation of future taxable profits depend on management's estimates of future cash f ows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying value of deferred tax assets of the Group and the Company at 31 December 2011 were RM17,950,000 (2010: RM11,083,000) and RM3,316,000 (2010: RM1,256,000) respectively and the unrecognised tax losses of the Group at 31 December 2011 was RM53,335,000 (2010: RM84,566,000).

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

3.2 Key sources of estimation uncertainty (cont'd)

(f) 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.

(g) 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.

(h) 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.

(i) 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 deferred tax liabilities, and depreciation and amortisation charges.

(j) 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 f ows 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 f ows varies by 10% from management's estimates, the Group's allowance for impairment will increase by RM372,000 (2010: RM818,000).

4. Profit/(Loss) before tax

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
After charging:				
Auditors' remuneration:				
- statutory audits	**917**	892	**250**	268
- underprovision in prior years	**155**	70	**140**	–
Amortisation of prepaid land lease payments (Note 16)	**74**	71	**–**	–
Amortisation of mining rights (Note 17)	**132**	539	**–**	–
Amortisation of corporate club membership (Note 17)	**44**	19	**–**	–
Amortisation of deferred mine development and deferred exploration and evaluation expenditure (Note 21)	**29,698**	12,563	**–**	–
Consulting fees paid to a director of a subsidiary	**60**	60	**–**	–
Directors' remuneration (Note 37(b)):				
- fees	**1,071**	1,131	**465**	450
- benefits-in-kind	**129**	93	**129**	93
- salaries and emoluments	**1,388**	1,209	**1,367**	1,207
Hire of equipment and vehicles	**116**	146	**116**	146
Provision for mine rehabilitation (Note 27)	**18,247**	5,855	**–**	–
Provision for severance benefits (Note 27)	**9,915**	8,544	**–**	–
Rental of land and buildings	**1,578**	1,155	**1,939**	1,934
Secretarial fees payable to a director of a foreign subsidiary	**46**	28	**–**	–
and crediting:				
Reversal of write down of tin slag inventory no longer required	**13,897**	7,860	**–**	–

5. Dividend income

	Company	
	2011 RM'000	2010 RM'000
Dividend income from:		
Investment in subsidiaries		
- Unquoted in Malaysia	**41,382**	5,445
Investment in associates		
- Unquoted in Malaysia	**28**	28
	41,410	5,473

6. Interest income

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income from:				
- Associate and jointly controlled entity	**1,772**	108	**1,772**	108
- Subsidiaries	**–**	–	**3,784**	3,426
- Deposits	**4,511**	904	**2,903**	275
- Tin sales	**6,684**	5,362	**6,684**	5,362
	12,967	6,374	**15,143**	9,171

7. Other income/(loss)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bad debts recovered	**40**	–	**40**	–
Reversal of impairment of receivables (Note 24)	**–**	104	**–**	104
Other operating income	**8,825**	8,533	**2,587**	2,765
(Loss)/Gain on disposal of property, plant and equipment	**(825)**	20	**123**	–
Net foreign exchange (loss)/gain	**(5,669)**	6,115	**(6,220)**	5,498
Fair value changes in financial assets:				
- Interest rate swap	**510**	(546)	**510**	(546)
- Ineffective portion of derivatives designated as hedging instruments in cash f ow hedge	**(509)**	3,751	**(509)**	212
	2,372	17,977	**(3,469)**	8,033

8. Employee benefits expense

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	**59,350**	60,015	**20,686**	19,958
Social security contribution	**311**	275	**156**	146
Contribution to defined contribution plan	**4,309**	4,206	**2,553**	2,408
Severance benefits (Note 27)	**9,915**	8,544	**–**	–
Other benefits	**2,960**	1,850	**1,542**	1,401
	76,845	74,890	**24,937**	23,913

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

9. Finance costs

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest expenses on bank borrowings	**23,904**	22,234	**20,945**	18,555
Commitment fees	**16**	9	**16**	9
Unwinding of discount on provisions (Note 27)	**130**	123	**–**	–
	24,050	22,366	**20,961**	18,564

10. Other expenses

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Administrative expenses	**23,107**	20,743	**3,628**	7,099
Marketing and distribution expenses	**19,048**	19,187	**1,314**	1,354
Impairment of receivables (Note 24)	**14,808**	2,854	**8,936**	5,932
Bad debts written off	**7,471**	37	**9**	37
Impairment of investment securities	**29**	472	**29**	472
Property, plant and equipment written-off	**94**	–	**1**	–
Share of joint operation loss	**–**	2,718	**–**	2,718
Deferred exploration and evaluation expenditure written-off (Note 21)	**–**	2,654	**–**	–
Impairment of property, plant and equipment (Note 15)	**–**	2,013	**–**	–
Revaluation deficit on property	**–**	265	**–**	–
	64,557	50,943	**13,917**	17,612

11. Exceptional losses/(gains), net

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Impairment of investment securities	**16,602**	–	**16,602**	–
Impairment of investment in associates, net	**8,442**	96,638	**10,654**	135,414
Net loss on disposal of disposal group classified as held for sale (Note 22)	**254**	–	**13,545**	–
Impairment of non-current asset classified as held for sale (Note 22)	**–**	–	**810**	–
Loss on disposal of an associate	**–**	17,351	**–**	17,351
Gain on disposal of an associate	**–**	(21,056)	**–**	(17,173)
Impairment on mining assets (Note 21)	**–**	56,357	**–**	–
Impairment of goodwill (Note 17)	**–**	5,188	**–**	–
Reversal of impairment of investment in subsidiaries	**–**	–	**–**	(135)
	25,298	154,478	**41,611**	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 2011 and 2010 are:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income statement				
Current income tax:				
Malaysian income tax	**30,965**	22,962	**27,165**	16,188
Foreign tax	**4,616**	11,483	**–**	–
	35,581	34,445	**27,165**	16,188
Under/(Over) provision in prior years:				
Malaysian income tax	**812**	(96)	**(1,843)**	(155)
Foreign tax	**3,222**	–	**–**	–
	39,615	34,349	**25,322**	16,033
Foreign withholding tax	**705**	1,442	**705**	1,442
	40,320	35,791	**26,027**	17,475
Deferred tax (Note 33):				
Relating to origination and reversal of temporary differences	**(4,746)**	(13,917)	**(1,765)**	(775)
(Over)/Under provision in prior years	**(1,098)**	(106)	**(27)**	38
	(5,844)	(14,023)	**(1,792)**	(737)
Income tax expense recognised in profit or loss	**34,476**	21,768	**24,235**	16,738

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred income tax related to other comprehensive income (Note 33):				
Net surplus on revaluation of freehold land and buildings	**–**	559	**–**	221
Net fair value changes on cash f ow hedges	**(268)**	3,120	**(268)**	812
	(268)	3,679	**(268)**	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:-

	2011	**2010**
Australia	**30%**	30%
Indonesia	**25% and 30%**	25% and 30%
Singapore	**17%**	17%

12. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit/(Loss) before tax	**91,132**	(78,463)	**62,837**	(96,022)
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	**22,783**	(19,616)	**15,709**	(24,006)
Different tax rates in other countries	**(868)**	435	**–**	–
Income not subject to tax	**(1,349)**	(5,828)	**(1,349)**	(5,096)
Expenses not deductible for tax purpose	**9,368**	43,936	**11,040**	44,515
Benefits from previously unrecognised tax losses	**–**	(4)	**–**	–
Deferred tax assets not recognised	**901**	1,605	**–**	–
(Over)/Under provision of deferred tax in prior years	**(1,098)**	(106)	**(27)**	38
Under/(Over) provision of tax expense in prior years	**4,034**	(96)	**(1,843)**	(155)
Foreign withholding tax	**705**	1,442	**705**	1,442
Income tax expense recognized in profit or loss	**34,476**	21,768	**24,235**	16,738

During the financial year, a subsidiary in Indonesia received various assessments for taxes and penalties for fiscal year 2008 from the tax office indicating an underpayment of corporate income tax ("CIT") of USD1,499,709 (instead of an overpayment of USD3,235,579 as reported in its 2008 annual income tax return) and an underpayment of withholding taxes and value added tax of USD1,625,983.

The subsidiary filed an objection to the tax office on 2 February 2012 and recognized an amount of USD1,052,632 as an additional tax expense (offset against the CIT overpayment of USD3,235,579 recorded in its 2008 annual income tax return) during the financial year.

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 Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2011	2010
Profit/(Loss) attributable to owners of the Company (RM'000)	**60,523**	(80,249)
Weighted average number of ordinary shares for basic earnings/(loss) per share computation* ('000)	**98,288**	75,000
Basic and diluted earnings/(loss) per share (sen)	**61.6**	(107.0)

* The weighted average number of shares takes into account the weighted average effect of new issuance of ordinary shares during the year.

14. Dividends

Group and Company	Amount 2011 RM'000	Amount 2010 RM'000	Net dividend per share 2011 Sen	Net dividend per share 2010 Sen
Final dividend for 2009:				
3 sen less 25% tax per share paid on 28 May 2010	**–**	1,687	**–**	2.3
Final dividend for 2010:				
3 sen less 25% tax per share paid on 12 May 2011	**2,250**	–	**2.3**	–
Interim dividend for 2011:				
12 sen less 25% tax per share paid on 28 September 2011	**9,000**	–	**9.0**	–
	11,250	1,687	**11.3**	2.3

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a final dividend of 18 sen per ordinary share less 25% tax, totalling RM13.5 million net for the financial year ended 31 December 2011.

The financial statements for the financial year ended 31 December 2011 do not ref ect 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 2012.

15. Property, plant and equipment

	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
Group						
2011						
Cost or Valuation						
At 1 January 2011						
- At cost	–	–	262,243	2,350	12,392	276,985
- At valuation	17,757	20,808	–	–	–	38,565
	17,757	20,808	262,243	2,350	12,392	315,550
Additions	–	495	4,036	–	7,640	12,171
Disposals/Written off	(200)	–	(530)	–	(2,548)	(3,278)
Transfer in/(out)	–	276	13,258	–	(13,534)	–
Exchange differences	–	93	5,431	–	155	5,679
At 31 December 2011	17,557	21,672	284,438	2,350	4,105	330,122
Representing:						
- At cost	–	–	284,438	2,350	4,105	290,893
- At valuation	17,557	21,672	–	–	–	39,229
At 31 December 2011	17,557	21,672	284,438	2,350	4,105	330,122
Accumulated depreciation and impairment losses						
At 1 January 2011	–	–	217,831	1,266	1,930	221,027
Depreciation charge for the year	–	1,555	11,937	126	–	13,618
Disposals/Written off	–	–	(520)	–	(1,401)	(1,921)
Exchange differences	–	38	4,932	–	50	5,020
At 31 December 2011	–	1,593	234,180	1,392	579	237,744
Net carrying amount						
- At cost	–	–	50,258	958	3,526	54,742
- At valuation	17,557	20,079	–	–	–	37,636
At 31 December 2011	17,557	20,079	50,258	958	3,526	92,378

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

	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
Group						
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)

Company	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
2011					
Cost or Valuation					
At 1 January 2011					
- At cost	–	–	39,060	790	39,850
- At valuation	200	8,550	–	–	8,750
	200	8,550	39,060	790	48,600
Additions	–	–	–	5,945	5,945
Disposals/Written off	(200)	–	(463)	–	(663)
Transfer in/(out)	–	–	5,698	(5,698)	–
At 31 December 2011	–	8,550	44,295	1,037	53,882
Representing:					
- At cost	–	–	44,295	1,037	45,332
- At valuation	–	8,550	–	–	8,550
At 31 December 2011	–	8,550	44,295	1,037	53,882
Accumulated depreciation and impairment losses					
At 1 January 2011	–	–	35,554	–	35,554
Depreciation charge for the year	–	238	1,210	–	1,448
Disposals/Written off	–	–	(462)	–	(462)
At 31 December 2011	–	238	36,302	–	36,540
Net carrying amount					
- At cost	–	–	7,993	1,037	9,030
- At valuation	–	8,312	–	–	8,312
At 31 December 2011	–	8,312	7,993	1,037	17,342

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)

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,	1 Dec 2010	Buildings in Koba, Bangka Island	1,915	Depreciated replacement cost
	Registered Valuer	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 2011 would be as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Freehold land	**9,339**	9,462	**–**	123
Buildings	**10,745**	10,464	**6,288**	6,490

16. Prepaid land lease payments

Group	2011 RM'000	2010 RM'000
Leasehold land		
At 1 January	**1,174**	1,312
Additions	**141**	–
Exchange translation differences	**13**	(67)
Amortisation for the year (Note 4)	**(74)**	(71)
At 31 December	**1,254**	1,174
Analysed as:		
Long term leasehold land	**281**	143
Short term leasehold land	**973**	1,031
	1,254	1,174
Amount to be amortised:		
Not later than one year	**56**	76
Later than one year but not later than five years	**225**	216
Later than five years	**973**	882
	1,254	1,174

The short term leasehold land has unexpired lease periods of between 1 and 23 years (2010: 1 and 24 years). The long term leasehold land has unexpired lease period of between 51 and 99 years (2010: 52 and 58 years). Application for renewal of a lease for 99 years which expired in year 2009 has been approved during the financial year.

17. Intangible assets

Group	Mining rights RM'000	Goodwill RM'000	Corporate club membership RM'000	Total RM'000
Cost				
At 1 January 2011	**12,103**	**657**	**513**	**13,273**
Additions	**–**	**–**	**350**	**350**
At 31 December 2011	**12,103**	**657**	**863**	**13,623**
At 1 January 2010	12,103	6,166	–	18,269
Acquisition of subsidiaries	–	657	513	1,170
Attributable to disposal group classified as held for sale (Note 22)	–	(5,735)	–	(5,735)
Translation difference	–	(431)	–	(431)
At 31 December 2010	12,103	657	513	13,273
Accumulated amortisation and impairment losses				
At 1 January 2011	**10,959**	**657**	**110**	**11,726**
Amortisation for the year (Note 4)	**132**	**–**	**44**	**176**
At 31 December 2011	**11,091**	**657**	**154**	**11,902**
At 1 January 2010	10,420	–	–	10,420
Acquisition of subsidiaries	–	–	91	91
Amortisation for the year (Note 4)	539	–	19	558
Impairment loss (Note 11)	–	5,188	–	5,188
Attributable to disposal group classified as held for sale (Note 22)	–	(4,531)	–	(4,531)
At 31 December 2010	10,959	657	110	11,726
Net carrying amount				
At 31 December 2011	**1,012**	**–**	**709**	**1,721**
At 31 December 2010	1,144	–	403	1,547

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 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 at 31 December 2010.

Investments in AOM and ACPL were disposed on 22 June 2011 and 2 November 2011 respectively.

18. Investment in subsidiaries

Company	2011 RM'000	2010 RM'000
Unquoted shares, at cost	**90,072**	90,072
Less: Accumulated impairment losses	**(1,347)**	(1,347)
	88,725	88,725

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 2011 %	2010 %
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 ("AOM")**+ (Note 18(a))	Australia	Tin and base metals exploration	**–**	77
Straits Resource Management Private Limited ("SRM") *	Singapore	Investment holding	**100**	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 ("PT ACN") **+ (Note 18(a))	Indonesia	Coal mining	**–**	53#
PT SRM Indonesia ("PT SRM")***	Indonesia	Providing tin exploration, management and consulting services	**99#**	99#
Held through the Company and a subsidiary:				
Asiatic Coal Private Limited ("ACPL")** + (Note 18(a))	Singapore	Investment holding	**–**	53#

*	Audited by Ernst & Young, Malaysia
**	Audited by member firm of Ernst & Young Global in the respective countries
***	Audited by firms of auditors other than Ernst & Young
\#	Indirect interest
\+	Classified as non-current assets classified as held for sale (Note 22)

18. Investment in subsidiaries (cont'd)

Disposal of subsidiaries

(a) On 22 June 2011, the Company disposed of its entire 76.91% interest in AOM, a company listed on Australian Securities Exchange, comprising a total of 1,677,545,461 ordinary shares at A$0.0016 per share. Following the disposal, AOM ceased to be a subsidiary of the Company and ACPL, an indirect subsidiary of the Company, also ceased to be a subsidiary of the Company following the dilution of its effective interest from 53.07% to 30.0%.

On 2 November 2011, the Company disposed of its entire 30% interest in ACPL together with its indirect subsidiary, PT ACN.

The investments in AOM, ACPL and PT ACN were previously classified as held for sale (Note 22).

19. Investment in associates and jointly controlled entity

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Investment in associates				
In Malaysia:				
Unquoted shares, at cost	**10,473**	10,473	**10,473**	10,473
Share of post-acquisition reserves	**10,676**	9,834	**–**	–
	21,149	20,307	**10,473**	10,473
Outside Malaysia:				
Quoted shares, at cost	**116,610**	116,610	**116,610**	116,610
Unquoted shares, at cost	**18,431**	18,431	**18,431**	18,431
	135,041	135,041	**135,041**	135,041
Share of post-acquisition reserves	**(17,327)**	(15,154)	**–**	–
	117,714	119,887	**135,041**	135,041
Accumulated impairment losses				
Quoted shares	**(99,572)**	(93,130)	**(111,743)**	(103,064)
Unquoted shares	**(10,800)**	(8,800)	**(15,956)**	(13,981)
	7,342	17,957	**7,342**	17,996
	28,491	38,264	**17,815**	28,469
Investment in jointly controlled entity				
In Malaysia:				
Unquoted shares, at cost	**44,421**	44,421	**44,421**	44,421
Share of post-acquisition reserves	**101,269**	65,854	**–**	–
	145,690	110,275	**44,421**	44,421
Total investment in associates and jointly controlled entity	**174,181**	148,539	**62,236**	72,890
Market value of quoted shares – outside Malaysia	**4,867**	13,546	**4,867**	13,546

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

Impairment assessment

The investment in quoted shares relates to the investment in Asian Mineral Resources Limited ("AMR"), a company listed on Toronto Stock Exchange. In the current financial year, an additional impairment loss of RM6,442,000 (2010: RM58,127,000) for the Group and RM8,679,000 (2010: RM68,064,000) for the Company was recognised based on fair value less cost to sell, which was the market bid price of C$0.05 per share at 31 December 2011. The carrying amount of this investment was RM4,867,000 for the Group and Company as at 31 December 2011.

The investment in unquoted shares relates to the investment in Guilin Hinwei Tin Co Ltd. In the current financial year, an additional impairment loss of RM2,000,000 (2010: RM8,800,000) for the Group and RM1,975,000 (2010: RM13,981,000) for the Company was recognised based on fair value less cost to sell, which was determined by the estimated net realizable value of the net assets in this investment. The carrying amount of this investment was RM2,475,000 for the Group and Company as at 31 December 2011.

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Proportion of ownership interest 2011 %	2010 %
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]	**15**	18
Guilin Hinwei Tin Co Ltd. ("Guilin")	China	Smelting, refining and sales of tin and tin products	**35**	35

[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 inf uence by virtue of its representative on the Board of this associate company.

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

The summarised financial information of the associates are as follows:

Group	2011 RM'000	2010 RM'000
Share of associates' assets and liabilities		
Assets and liabilities		
Current assets	**27,639**	25,499
Non-current assets	**120,695**	122,606
Total assets	**148,334**	148,105
Current liabilities	**9,225**	7,888
Non-current liabilities	**246**	23
Total liabilities	**9,471**	7,911
Share of associates' revenue and loss		
Results		
Revenue	**32,973**	56,946
Loss for the year	**(1,121)**	(8,008)

Details of the jointly controlled entity are as follows:

Name of jointly controlled entity	Country of incorporation	Principal activities	Proportion of ownership interest 2011 %	Proportion of ownership interest 2010 %
Held by the Company:				
KM Resources, Inc.	Labuan, Malaysia	Investment holding	**30**	30

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

	2011 RM'000	2010 RM'000
Share of jointly controlled entity's assets and liabilities		
Assets and liabilities		
Current assets	**94,321**	43,593
Non-current assets	**103,871**	118,384
Total assets	**198,192**	161,977
Current liabilities	**37,916**	27,820
Non-current liabilities	**14,586**	23,882
Total liabilities	**52,502**	51,702
Share of jointly controlled entity's revenue and profit		
Results		
Revenue	**128,812**	79,206
Profit for the year	**25,813**	12,390

20. Investment securities

	2011 RM'000	2010 RM'000
Group and Company		
Available-for-sale (AFS) investments:		
- Quoted shares, at fair value	**18**	47
- Unquoted investment, at fair value	**17,718**	34,320
	17,736	34,367

(a) Quoted shares, at fair value

The quoted shares as at 31 December 2010 and 2011 comprise of the investment in Republic Gold Limited, a company incorporated in Australia. During the financial year, the Group and the Company recognised an impairment loss of RM29,000 (2010: RM472,000) in profit or loss 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 the Company's 18.54% interest in TMR Ltd ("TMR"), a Bermuda incorporated company. TMR has 99% shareholding in PT Tenaga Anugerah ("PTTA"), which holds tin mining rights in Indonesia. TMR together with its subsidiary, PTTA, are principally involved in integrated tin business in Indonesia.

The fair value of investment in TMR at 31 December 2011 was determined based on an external valuation. The valuation assumes the economically recoverable tin reserves of 15,537 tonnes in the concession areas, with the tin prices of USD25,000 during the forecasted production period from 2012 to 2018. The discount rate used in the valuation is 17%.

During the financial year, the Group and the Company recognised an impairment loss of RM16,602,000 (2010: Nil) in profit or loss as there was "significant" or "prolonged" decline in the fair value of this investment.

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
2011				
At 1 January 2011	**17,612**	**66,919**	**–**	**84,531**
Additions	**3,097**	**40,189**	**–**	**43,286**
Amortisation to profit or loss (Note 4)	**(558)**	**(29,140)**	**–**	**(29,698)**
Exchange differences	**391**	**662**	**–**	**1,053**
At 31 December 2011	**20,542**	**78,630**	**–**	**99,172**
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)
Impairment loss (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

(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 were 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 ("ACPL") in 2009. The carrying amount of the mining assets has been reclassified to assets of disposal group held for sale. ACPL was disposed on 2 November 2011. Please refer to Note 22 for details.

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

22. Disposal group classified as held for sale

At 31 December 2010, the Group and 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.

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

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 2011 and 2010 were as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Assets:		
Property, plant and equipment (Note 15)	–	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 2011 and 2010 were as follows:

	Company	
	2011	**2010**
	RM'000	**RM'000**
Assets:		
Investment in subsidiary	–	21,147
Investment in associate	–	3,940
	–	25,087

22. Disposal group classified as held for sale (cont'd)

Disposal of disposal group classified as held for sale

On 22 June 2011, the Company disposed of its entire 76.91% interest in AOM, a company listed on Australian Securities Exchange, comprising a total of 1,677,545,461 ordinary shares at A$0.0016 per share. Following the disposal, AOM ceased to be a subsidiary of the Company and ACPL, an indirect subsidiary of the Company, also ceased to be a subsidiary of the Company following the dilution of its effective interest from 53.07% to 30.0%.

On 2 November 2011, the Company disposed of its entire 30% interest in ACPL together with its indirect subsidiary, PT Asiatic Coal Nusantara ("PT ACN").

The disposal had the following effects on the financial position of the Group as at 31 December 2011:

	RM'000
Property, plant and equipment	63
Intangible assets	1,226
Deferred exploration and evaluation expenditure	9,442
Mining assets	12,863
Inventories	737
Other receivables	431
Prepayment	4
Cash and cash equivalents	202
Trade and other payables	(9,811)
Provisions	(160)
Deferred tax liabilities	(3,216)
Non-controlling interests	(4,058)
Transfer from foreign exchange reserve	3,263
	10,986
Total disposal proceeds	(10,732)
Loss on disposal to the Group (Note 11)	254

The cash inf ow arising on disposal is as follows:

	RM'000
Consideration settled in cash	10,732
Less: Cash and cash equivalents of subsidiaries disposed	(202)
Net cash inf ow on disposal	10,530

The disposal had the following effects on the financial position of the Company as at 31 December 2011:

	RM'000
Non-current assets classified as held for sale:	
Investment in subsidiary	21,147
Investment in associate	3,940
Impairment made during the year (Note 11)	(810)
	24,277
Total disposal proceeds	(10,732)
Loss on disposal to the Company (Note 11)	13,545

23. Inventories

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**268,807**	376,490	**140,498**	272,892
Other inventories (stores, spares, fuels, coal and by-products)	**34,315**	27,830	**16,036**	10,716
	303,122	404,320	**156,534**	283,608

During the year, an amount of RM13,897,000 (2010: 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		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current				
Other receivables				
Jointly controlled entity	**4,523**	2,607	**4,523**	2,607
Current				
Trade receivables				
Third parties	**227,293**	143,825	**227,293**	141,766
Subsidiaries	**–**	–	**–**	6
An associate	**1,815**	804	**1,815**	804
	229,108	144,629	**229,108**	142,576
Allowance for impairment				
Third parties	**(8,515)**	(5,954)	**(8,515)**	(5,954)
Trade receivables, net	**220,593**	138,675	**220,593**	136,622

24. Trade and other receivables (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other receivables				
Third parties	**100,947**	119,843	**13,501**	19,678
Subsidiaries	**–**	–	**109,550**	99,170
Associates	**–**	–	**–**	241
Jointly controlled entity	**12**	12	**12**	12
	100,959	119,855	**123,063**	119,101
Allowance for impairment				
- Third parties	**(14,288)**	(2,035)	**(7,641)**	(1,363)
- A subsidiary	**–**	–	**(3,078)**	(3,078)
Other receivables, net	**86,671**	117,820	**112,344**	114,660
Deposits	**1,766**	2,273	**766**	763
Other receivables	**88,437**	120,093	**113,110**	115,423
Total trade and other receivables (current)	**309,030**	258,768	**333,703**	252,045
Total trade and other receivables (current and non-current) excluding deposits	**311,787**	259,102	**337,460**	253,889
Deposits	**1,766**	2,273	**766**	763
Total trade and other receivables (current and non-current)	**313,553**	261,375	**338,226**	254,652
Add: Cash and cash equivalents (Note 26)	**235,697**	119,244	**178,367**	78,378
Total loans and receivables	**549,250**	380,619	**516,593**	333,030

(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).

(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 RM104.80 million (2010: RM94.24 million). Interest rates of between 3.0% and 4.0% (2010: 3.0% and 4.0%) per annum are charged on these advances.

(c) Amount due from jointly controlled entity

The amount of RM4,523,000 (2010: RM2,607,000) due from a jointly controlled entity under other receivables in non-current assets is due from KM Resources, 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.

24. Trade and other receivables (cont'd)

(d) Amount due from an associate

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.

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:

Group	Gross RM'000	Allowance for impairment losses RM'000	Net RM'000
31 December 2011			
Not past due	**278,617**	**–**	**278,617**
Past due:			
Less than 30 days	**2,281**	**–**	**2,281**
30 to 60 days	**667**	**212**	**455**
61 to 90 days	**628**	**444**	**184**
91 to 120 days	**687**	**–**	**687**
More than 120 days	**51,710**	**22,147**	**29,563**
	55,973	**22,803**	**33,170**
Total	**334,590**	**22,803**	**311,787**
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)

Company	Gross RM'000	Allowance for impairment losses RM'000	Net RM'000
31 December 2011			
Not past due	**326,670**	**–**	**326,670**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**257**	**212**	**45**
61 to 90 days	**471**	**444**	**27**
91 to 120 days	**490**	**–**	**490**
More than 120 days	**28,806**	**18,578**	**10,228**
	30,024	**19,234**	**10,790**
Total	**356,694**	**19,234**	**337,460**
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

Receivables that are neither past due nor impaired

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

At the reporting date, trade receivables arising from export sales amounting to RM14,702,000 are arranged to be settled via letter of credit issued by reputable banks in countries where the customers are based.

Receivables that are past due but not impaired

The Group and the Company have trade and other receivables amounting to RM26,847,000 and RM4,467,000 respectively (2010: RM30,448,000 and RM24,009,000 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			
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade and other receivables- nominal amounts	**29,126**	16,167	**25,557**	18,573
Less: Allowance for impairment	**(22,803)**	(7,989)	**(19,234)**	(10,395)
	6,323	8,178	**6,323**	8,178

Movement in the allowance accounts:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 January	**7,989**	5,617	**10,395**	4,699
Impairment for the year (Note 10)	**14,808**	2,854	**8,936**	5,932
Amounts written-off	**(143)**	(296)	**(143)**	(132)
Reversal of impairment (Note 7)	**–**	(104)	**–**	(104)
Exchange adjustment	**149**	(82)	**46**	–
At 31 December	**22,803**	7,989	**19,234**	10,395

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 RM6,319,000 (2010: RM8,178,000) 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Prepaid operating expenses	**4,570**	7,144	**4,362**	3,000

26. Cash, bank balances and deposits

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	**50,340**	82,246	**37,088**	61,681
Deposits with:				
- licensed banks	**149,612**	25,443	**140,912**	16,330
- other financial institution	**35,745**	11,555	**367**	367
Cash and bank balances	**235,697**	119,244	**178,367**	78,378

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 2011 for the Group and the Company were 2.6% (2010: 2.2%) and 2.5% (2010: 1.7%) respectively.

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

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash and short term deposits:				
- Continuing operations	**235,697**	119,244	**178,367**	78,378
- Attributable to disposal group classified as held for sale (Note 22)	**–**	525	**–**	–
Cash and cash equivalents	**235,697**	119,769	**178,367**	78,378

27. Provisions

Group	Severance benefits RM'000	Mine rehabilitation RM'000	Total RM'000
At 1 January 2011	**1,766**	**24,389**	**26,155**
Provision during the year (Notes 4 and 8)	**9,915**	**18,247**	**28,162**
Unwinding of discount on provision (Note 9)	**–**	**130**	**130**
Paid/Utilised during the year	**(263)**	**–**	**(263)**
Plan asset (Note 27(a)i)	**(11,234)**	**–**	**(11,234)**
Exchange differences	**411**	**1,243**	**1,654**
At 31 December 2011	**595**	**44,009**	**44,604**

27. Provisions (cont'd)

Group	Severance benefits RM'000	Mine rehabilitation RM'000	Total RM'000
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 31 December 2011			
Current	**495**	**14,624**	**15,119**
Non-current:			
Later than 1 year but not later than 2 years	**–**	**26,562**	**26,562**
Later than 2 years but not later than 5 years	**–**	**101**	**101**
Later than 5 years	**100**	**2,722**	**2,822**
	100	**29,385**	**29,485**
	595	**44,009**	**44,604**
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

(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.

27. Provisions (cont'd)

(a) Severance benefits (cont'd)

The amounts recognised in the statement of financial position are determined as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations	**47,154**	39,640
Fair value of plan asset	**(37,648)**	(26,738)
Unrecognised actuarial losses	**(8,554)**	(10,257)
Unrecognised past service costs	**(357)**	(879)
Net liability	**595**	1,766
Analysed as:		
Current	**495**	1,673
Non-current:		
Later than 5 years	**100**	93
	595	1,766

The amounts recognised in profit or loss are as follows:

	2011	**2010**
	RM'000	**RM'000**
Current service cost	**7,889**	5,520
Interest cost	**2,549**	3,021
Net actuarial losses	**511**	545
Past services costs	**2,146**	1,741
Expected return on plan asset	**(3,180)**	(2,283)
Total, included in employee benefits expense (Note 8)	**9,915**	8,544

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

	2011	**2010**
	RM'000	**RM'000**
At 1 January	**1,766**	7,725
Recognised in profit or loss (Note 8)	**9,915**	8,544
Contribution paid	**(263)**	(3,430)
Plan asset (Note 27 (a)i)	**(11,234)**	(10,722)
Exchange differences	**411**	(351)
At 31 December	**595**	1,766

27. Provisions (cont'd)

(a) Severance benefits (cont'd)

Principal actuarial assumptions used:

	Group 2011 % per annum	Group 2010 % per annum
Discount rate	**4.75 - 6.80**	6.50 - 8.00
Expected rate of salary increases	**7.00 - 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 (2010: 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short term borrowings				
Unsecured:				
Short term trade financing	**73,919**	40,321	**73,919**	40,321
Bankers' acceptances	**376,403**	508,109	**376,403**	508,109
Revolving credit	**28,553**	27,814	**–**	–
Revolving credit (restructured)	**15,863**	12,362	**15,863**	12,362
Term loan 1	**–**	3,000	**–**	3,000
Term loan 2	**26,173**	20,861	**–**	–
Term loan 3	**4,472**	6,181	**4,472**	6,181
	525,383	618,648	**470,657**	569,973
Long term borrowings				
Unsecured:				
Revolving credit (restructured)	**23,794**	38,631	**23,794**	38,631
Term loan 1	**–**	–	**–**	–
Term loan 2	**14,276**	39,404	**–**	–
Term loan 3	**–**	4,357	**–**	4,357
	38,070	82,392	**23,794**	42,988

28. Borrowings (cont'd)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Total borrowings				
Unsecured:				
Short term trade financing	**73,919**	40,321	**73,919**	40,321
Bankers' acceptances	**376,403**	508,109	**376,403**	508,109
Revolving credit	**28,553**	27,814	**–**	–
Revolving credit (restructured)	**39,657**	50,993	**39,657**	50,993
Term loan 1	**–**	3,000	**–**	3,000
Term loan 2	**40,449**	60,265	**–**	–
Term loan 3	**4,472**	10,538	**4,472**	10,538
	563,453	701,040	**494,451**	612,961

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. The loan has been fully repaid during the financial year.

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 2011 are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
On demand or within one year	**525,383**	618,648	**470,657**	569,973
More than 1 year and less than 2 years	**30,139**	45,307	**15,863**	19,810
More than 2 years and less than 5 years	**7,931**	37,085	**7,931**	23,178
	563,453	701,040	**494,451**	612,961

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

29. Trade and other payables

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current				
Trade payables				
Third parties	**50,734**	53,369	**29,157**	35,735
Subsidiaries	**–**	–	**11,763**	20,597
	50,734	53,369	**40,920**	56,332
Other payables				
Third parties	**85,692**	72,418	**11,814**	12,740
Holding company	**47**	109	**47**	109
Subsidiaries	**–**	–	**64**	2,667
Jointly controlled entity	**29,166**	–	**29,166**	–
	114,905	72,527	**41,091**	15,516
Accruals	**13,337**	20,279	**5,757**	12,636
	128,242	92,806	**46,848**	28,152
Total trade and other payables	**178,976**	146,175	**87,768**	84,484
Add: Loans and borrowings (Note 28)	**563,453**	701,040	**494,451**	612,961
Total financial liabilities carried at amortised cost	**742,429**	847,215	**582,219**	697,445

(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 and share premium

Group	Number of ordinary shares of RM1 each Share capital (issued and fully paid) '000	Amount Share capital (issued and fully paid) RM'000	Share premium RM'000	Total share capital and share premium RM'000
At 1 January 2010/31 December 2010/1 January 2011	**75,000**	**75,000**	**1,706**	**76,706**
Issue of ordinary shares	**25,000**	**25,000**	**79,187**	**104,187**
Share issuance expenses	**–**	**–**	**(4,521)**	**(4,521)**
At 31 December 2011	**100,000**	**100,000**	**76,372**	**176,372**
Company				
At 1 January 2010/31 December 2010/1 January 2011	**75,000**	**75,000**	**–**	**75,000**
Issue of ordinary shares	**25,000**	**25,000**	**79,187**	**104,187**
Share issuance expenses	**–**	**–**	**(4,521)**	**(4,521)**
At 31 December 2011	**100,000**	**100,000**	**74,666**	**174,666**

	Number of ordinary shares of RM1 each		Amount	
	2011	**2010**	**2011**	**2010**
	'000	**'000**	**RM'000**	**RM'000**
Authorised share capital:				
At 1 January/ 31 December	**500,000**	500,000	**500,000**	500,000

The share premium of RM1,706,000 as at 31 December 2010 represents share of post acquisition share premium of an associate, i.e. Redring Solder (M) Sdn. Bhd..

On 26 January 2011, a total of 25,000,000 new ordinary shares of the Company were allotted and issued in conjunction with the secondary listing of the Company's shares in Singapore Exchange Securities Trading Limited (SGX-ST). This resulted in the increase of the enlarged issued and paid-up share capital of the Company to RM100,000,000, comprising 100,000,000 ordinary shares of RM1.00 each. On 27 January 2011, the secondary listing was completed following the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each on the Main Board of SGX-ST.

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

31. Other reserves (non-distributable)

Group	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000	Total RM'000
At 1 January 2011	**18,766**	**(28,067)**	**–**	**712**	**(8,589)**
Other comprehensive income:					
Foreign currency translation	**–**	**10,551**	**–**	**–**	**10,551**
Net fair value changes on cash f ow hedges					
- Net loss on fair value changes during the year	**–**	**–**	**–**	**(1,578)**	**(1,578)**
- Recognised in profit or loss:					
- Ineffective cash f ow hedge (Note 7)	**–**	**–**	**–**	**509**	**509**
Income tax relating to components of other comprehensive income (Note 12)	**–**	**–**	**–**	**268**	**268**
	–	**10,551**	**–**	**(801)**	**9,750**
Transactions with owners:					
Realisation of revaluation reserve	**(88)**	**–**	**–**	**–**	**(88)**
At 31 December 2011	**18,678**	**(17,516)**	**–**	**(89)**	**1,073**
At 1 January 2010	15,105	(8,354)	(354)	(6,738)	(341)
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 f ow hedges					
- Net gain on fair value changes during the year	–	–	–	13,485	13,485
- Recognised in profit or loss:					
- Ineffective cash f ow 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	18,766	(28,067)	–	712	(8,589)

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 2011	**5,108**	**–**	**712**	**5,820**
Other comprehensive income:				
Net fair value changes on cash f ow hedges				
- Net loss on fair value changes during the year	**–**	**–**	**(1,578)**	**(1,578)**
- Recognised in profit or loss:				
- Ineffective cash f ow hedge (Note 7)	**–**	**–**	**509**	**509**
Income tax relating to components of other comprehensive income (Note 12)	**–**	**–**	**268**	**268**
	–	**–**	**(801)**	**(801)**
Transactions with owners:				
Realisation of revaluation reserve	**(88)**	**–**	**–**	**(88)**
At 31 December 2011	**5,020**	**–**	**(89)**	**4,931**
At 1 January 2010	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 f ow hedges				
- Net gain on fair value changes during the year	–	–	3,457	3,457
- Recognised in profit or loss:				
- Ineffective cash f ow 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

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

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

(a) Revaluation reserve

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, regardless of the currency of the monetary item.

(c) 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.

(d) Hedging reserve

The cash f ow hedge reserve contains the effective portion of the cash f ow 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 f ow hedges.

32. Retained earnings

As at 31 December 2011, the Company has tax exempt profits available for distribution of approximately RM108 million (2010: 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 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2011, 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	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	**(10,786)**	3,796	**(1,256)**	(1,552)
Acquisition of subsidiaries	**–**	(37)	**–**	–
Attributable to disposal group classified as held for sale (Note 22)	**–**	(3,284)	**–**	–
Recognised in profit or loss (Note 12)	**(5,844)**	(14,023)	**(1,792)**	(737)
Recognised in other comprehensive income (Note 12)	**(268)**	3,679	**(268)**	1,033
Exchange differences	**(407)**	(917)	**–**	–
At 31 December	**(17,305)**	(10,786)	**(3,316)**	(1,256)

Presented after appropriate offsetting as follows:

Deferred tax assets	**(17,950)**	(11,083)	**(3,316)**	(1,256)
Deferred tax liabilities	**645**	297	**–**	–
	(17,305)	(10,786)	**(3,316)**	(1,256)

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 2011	**12,789**	**(1,826)**	**291**	**11,254**
Recognised in profit or loss	**969**	**(2,165)**	**(128)**	**(1,324)**
Recognised in other comprehensive income	**–**	**–**	**(268)**	**(268)**
Exchange difference	**156**	**–**	**–**	**156**
At 31 December 2011	**13,914**	**(3,991)**	**(105)**	**9,818**
At 1 January 2010	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

33. Deferred tax (cont'd)

Deferred tax liabilities (cont'd)

Company	Property, plant and equipment RM'000	Receivables RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
At 1 January 2011	**1,894**	**(1,829)**	**291**	**356**
Recognised in profit or loss	**319**	**(2,163)**	**(128)**	**(1,972)**
Recognised in other comprehensive income	**–**	**–**	**(268)**	**(268)**
At 31 December 2011	**2,213**	**(3,992)**	**(105)**	**(1,884)**
At 1 January 2010	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

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 2011	**(35)**	**(21,661)**	**(344)**	**(22,040)**
Recognised in profit or loss	**35**	**(4,683)**	**128**	**(4,520)**
Recognised in other comprehensive income	**–**	**–**	**–**	**–**
Exchange difference	**–**	**(563)**	**–**	**(563)**
At 31 December 2011	**–**	**(26,907)**	**(216)**	**(27,123)**
At 1 January 2010	–	(18,322)	(4,267)	(22,589)
Acquisition of subsidiaries	–	(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)

33. Deferred tax (cont'd)

Deferred tax assets (cont'd)

Company	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 2011	**–**	**(1,268)**	**(344)**	**(1,612)**
Recognised in profit or loss	**–**	**52**	**128**	**180**
Recognised in other comprehensive income	**–**	**–**	**–**	**–**
At 31 December 2011	**–**	**(1,216)**	**(216)**	**(1,432)**
At 1 January 2010	–	(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)

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

	2011 RM'000	2010 RM'000
Unutilised tax losses	**53,335**	84,566

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

(i) an amount of RM53,335,000 (2010: RM48,315,000) that arose from subsidiaries 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.

(ii) The subsidiary in Australia has been disposed of during the financial year, thus no amount (2010: RM36,251,000) is available for offsetting against future taxable income of 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 (2010: 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 RM122,438,000 (2010: RM136,853,000). The deferred tax liability is estimated to be RM18,366,000 (2010: RM20,528,000).

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**
2011	**RM'000**	**RM'000**
Interest rate swap contract	**–**	**865**
Foreign currency forward contracts	**–**	**419**
	–	**1,284**
Current	**–**	**419**
Non-current	**–**	**865**
2010		
Interest rate swap contract	–	1,375
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.

The Group has the following derivative financial instruments accounted as:

At 31 December 2011

(i) Cash flow hedges

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
47.1	From January 2012 to March 2012	3.1716

The fair value loss of RM119,000 with a deferred tax income of RM30,000 on such contracts that relate to effective hedges was included in the hedging reserve (Note 31) in respect of the contracts. The cash f ow hedges of certain future forward contracts were assessed to be ineffective. Accordingly, the fair value loss of RM300,000 with a deferred tax income of RM75,000 was recognised in profit or loss.

34. Derivative financial instruments (cont'd)

At 31 December 2011 (cont'd)

(ii) Interest rate swap contract

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

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

As at 31 December 2011, a fair value loss of RM865,000 with a deferred tax income of RM216,000 relating to the interest rate swap contract was recognised in profit or loss.

At 31 December 2010

(i) Cash flow hedges

(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 f ow 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 f ow 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 f oating 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	
	2011	2010	2011	2010
Capital expenditure:	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
- Investment in an associate	**10,535**	9,756	**10,535**	9,756
- Property, plant and equipment	**6,162**	1,717	**6,040**	1,662
	16,697	11,473	**16,575**	11,418
Approved but not contracted for:				
- Property, plant and equipment	**632**	5,255	**–**	–

36. Contingent liabilities (unsecured)

Group

At 31 December 2011, the Group has the following contingent liabilities:

(a) 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 judicial review was also dismissed by the court. The director further appealed to the Court of Appeal on 29 June 2009. The matter has been fixed for case management on 8 May 2012. 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. A notice of motion to strike out the director's appeal has been filed on 6 March 2012.

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.

(b) 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.

(c) 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. No hearing date has been fixed for the appeal.

36. Contingent liabilities (unsecured) (cont'd)

Company

At 31 December 2011, the Company has the following contingent liabilities:

- 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. No hearing date has been fixed for the appeal.

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	2011 RM'000	2010 RM'000
Related companies *:			
- Management fee charged		**–**	348
Associates/jointly controlled entity:			
- Sales of products	(i)	**52,705**	53,917
- Interest income	(iii)	**1,772**	108
Consulting fees paid to a director of a subsidiary		**60**	60
Secretarial fees payable to a foreign subsidiary's director		**46**	28

Company	Note	2011 RM'000	2010 RM'000
Subsidiaries:			
- Purchase of products	(ii)	**650,482**	520,031
- Interest income	(iii)	**3,784**	3,426
- Management fee received		**1,993**	2,160
- Advances	(iv)	**3,173**	3,136
- Rental paid		**1,796**	1,801
- Interest expense		**41**	42
- Dividend		**41,382**	5,445
Associates/jointly controlled entity:			
- Sales of products	(i)	**52,705**	53,917
- Interest income	(iii)	**1,772**	108
- Dividend		**28**	28

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

37. Related party disclosures (cont'd)

(a) Related party transactions (cont'd)

(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 are subject to interest charged as disclosed in Note 24 (b).

Information regarding outstanding balances arising from related party transactions as at 31 December 2010 and 2011 are disclosed in Note 24 and Note 29.

(b) Compensation of key management personnel

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits	**8,113**	7,865	**4,123**	2,961
Post-employment benefits:				
- Defined contribution plan	**887**	941	**549**	407

Included in the total compensation of key management personnel are:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 4)	**2,588**	2,433	**1,961**	1,750

38. Financial risk management objectives and policies

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

The Group's 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 risk, foreign currency risk, liquidity risk, credit risk, commodity price risk and market price risk. The policies for managing each of these risks are summarised below.

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash f ows of the Group's and the Company's financial instruments will f uctuate 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 f oating 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 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.

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 2011								
Fixed rate								
Amount due from a jointly controlled entity	24	**4.00**	**–**	**–**	**4,523**	**–**	**–**	**4,523**
Floating rate								
Cash and bank balances	26	**0.10 - 3.50**	**185,357**	**–**	**–**	**–**	**–**	**185,357**
Short term trade financing	28	**1.25 - 2.20**	**73,919**	**–**	**–**	**–**	**–**	**73,919**
Bankers' acceptances	28	**3.48 - 4.05**	**376,403**	**–**	**–**	**–**	**–**	**376,403**
Revolving credits	28	**2.72 - 3.70**	**44,416**	**15,863**	**7,931**	**–**	**–**	**68,210**
Term loans	28	**2.65 - 3.82**	**30,645**	**14,276**	**–**	**–**	**–**	**44,921**

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

(a) Interest rate risk (cont'd)

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
31 December 2011								
Fixed rate								
Amount due from a jointly controlled entity	24	**4.00**	**–**	**–**	**4,523**	**–**	**–**	**4,523**
Amount due from subsidiaries		**3.00 - 4.00**	**104,802**	**–**	**–**	**–**	**–**	**104,802**
Floating rate								
Cash and bank balances	26	**0.10 - 3.50**	**141,279**	**–**	**–**	**–**	**–**	**141,279**
Short term trade financing	28	**1.25 - 2.20**	**73,919**	**–**	**–**	**–**	**–**	**73,919**
Bankers' acceptances	28	**3.48 - 4.05**	**376,403**	**–**	**–**	**–**	**–**	**376,403**
Revolving credits	28	**2.72**	**15,863**	**15,863**	**7,931**	**–**	**–**	**39,657**
Term loans	28	**2.65**	**4,472**	**–**	**–**	**–**	**–**	**4,472**
Group								
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

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

(a) Interest rate risk (cont'd)

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
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

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 at 31 December are as follows:

2011

Notional Amount (USD Million)	:	12.5
Maturity Period	:	March 2014
Receive Floating Interest Rate	:	3 months London Inter-bank Offer Rate
Pay Fixed Interest Rate	:	2.47%

2010

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%

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

(a) Interest rate risk (cont'd)

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 2011		
- Malaysian Ringgit	**+25**	**(409)**
	-25	**409**
- United States Dollar	**+25**	**(225)**
	-25	**225**
31 December 2010		
- Malaysian Ringgit	+25	(926)
	-25	926
- United States Dollar	+25	(342)
	-25	342

(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) 97% (2010: 93%) of the Group's trade and other receivables as well as 82% (2010: 70%) 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) 30% (2010: 60%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar, Indonesia Rupiah and Australia Dollar.

(iii) 33% (2010: 27%) of the Group's borrowings are denominated in United States Dollar.

At 31 December 2011, 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 RM300,000 (2010: RM212,000) (see Note 34(i)).

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

(b) Foreign currency risk (cont'd)

The cash f ow hedges of the expected future sales were assessed to be highly effective and a net unrealised loss of RM119,000 (2010: net unrealized gain of RM950,000) with a deferred tax asset of RM30,000 (2010: 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 2011 are expected to mature and affect profit or loss by a loss of RM89,000 (2010: gain of RM712,000) (see Note 31) in 2012.

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").

		2011		2010	
		Profit net of tax RM'000	Equity RM'000	Profit net of tax RM'000	Equity RM'000
USD	strengthened 5%	**(3,896)**	**(1,881)**	2,167	4,760
	weakened 5%	**3,718**	**1,801**	(740)	(4,758)
AUD	strengthened 5%	**18**	**–**	34	192
	weakened 5%	**(18)**	**–**	(34)	(189)
IDR	strengthened 5%	**(401)**	**(400)**	(408)	(408)
	weakened 5%	**443**	**442**	450	450

(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 f ows 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.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

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

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
31 December 2011				
Financial assets:				
Non-derivative				
Trade and other receivables	24	**309,030**	**4,523**	**313,553**
Cash, bank balances and deposits	26	**235,697**	**–**	**235,697**
Total undiscounted financial assets		**544,727**	**4,523**	**549,250**
Financial liabilities:				
Non-derivative				
Borrowings	28	**525,383**	**38,070**	**563,453**
Interest payable on borrowings		**3,665**	**700**	**4,365**
Trade payables and other payables	29	**178,976**	**–**	**178,976**
Derivative				
Foreign currency forward contracts	34	**419**	**–**	**419**
Interest rate swaps	34	**–**	**865**	**865**
Total undiscounted financial liabilities		**708,443**	**39,635**	**748,078**
Total net undiscounted financial liabilities		**(163,716)**	**(35,112)**	**(198,828)**

Group	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
31 December 2010				
Financial assets:				
Non-derivative				
Trade and other receivables	24	258,768	2,607	261,375
Cash, bank balances and deposits	26	119,244	–	119,244
Derivative				
Foreign currency forward contracts	34	1,162	–	1,162
Total undiscounted financial assets		379,174	2,607	381,781
Financial liabilities:				
Non-derivative				
Borrowings	28	618,648	82,392	701,040
Interest payable on borrowings		4,624	2,355	6,979
Trade and other payables	29	146,175	–	146,175
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
Total net undiscounted financial liabilities		(390,274)	(83,515)	(473,789)

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

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
31 December 2011				
Financial assets:				
Non-derivative				
Trade and other receivables	24	**333,703**	**4,523**	**338,226**
Cash, bank balances and deposits	26	**178,367**	**–**	**178,367**
Total undiscounted financial assets		**512,070**	**4,523**	**516,593**
Financial liabilities:				
Non-derivative				
Borrowings	28	**470,657**	**23,794**	**494,451**
Interest payable on borrowings		**1,384**	**494**	**1,878**
Trade and other payables	29	**87,768**	**–**	**87,768**
Derivative				
Foreign currency forward contracts	34	**419**	**–**	**419**
Interest rate swaps	34	**–**	**865**	**865**
Total undiscounted financial liabilities		**560,228**	**25,153**	**585,381**
Total net undiscounted financial liabilities		**(48,158)**	**(20,630)**	**(68,788)**
31 December 2010				
Financial assets:				
Non-derivative				
Trade and other receivables	24	252,045	2,607	254,652
Cash, bank balances and deposits	26	78,378	–	78,378
Total undiscounted financial assets		330,423	2,607	333,030
Financial liabilities:				
Non-derivative				
Borrowings	28	569,973	42,988	612,961
Interest payable on borrowings		1,529	975	2,504
Trade and other payables	29	84,484	–	84,484
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
Total net undiscounted financial liabilities		(325,564)	(42,731)	(368,295)

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

(c) Liquidity risk (cont'd)

Financial guarantees

The table below shows the contractual expiry by maturity of the Group's and the Company's financial guarantees. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Group	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
31 December 2011			
Financial guarantees	**1,000**	**–**	**1,000**
31 December 2010			
Financial guarantees	1,000	–	1,000
Company			
31 December 2011			
Financial guarantees	**71,200**	**–**	**71,200**
31 December 2010			
Financial guarantees	90,300	–	90,300

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risks, or the risk of counterparties defaulting are controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimized and monitored by limiting the Group's and the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures. The Group and the Company place its cash deposits with reputable banks and financial institutions.

<u>Exposure to credit risk</u>
At the reporting date, the Group's and the Company's maximum 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 RM69.0 million (USD21.75 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 17.3% (2010: 22.5%) of its trade receivables and 34.2% (2010: 26.8%) of its other receivables.

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

(d) Credit risk (cont'd)

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:

	2011		2010	
		%		%
Group	**RM'000**	**of total**	**RM'000**	**of total**
By country:				
Australia	**8,924**	**3**	19,406	7
Canada	**2,788**	**1**	979	–
China, including Hong Kong and Taiwan	**24,212**	**8**	10,957	4
Indonesia	**138,240**	**44**	173,474	67
Malaysia	**13,942**	**4**	18,202	7
Philippines	**22**	**–**	2,621	1
Singapore	**37,577**	**12**	7,122	3
South Africa	**51,941**	**17**	17,110	7
United Kingdom	**10,072**	**3**	160	–
Others	**24,069**	**8**	9,071	4
	311,787	**100**	259,102	100
Company				
By country:				
Australia	**9,342**	**3**	20,037	8
Canada	**2,788**	**1**	979	–
China, including Hong Kong and Taiwan	**24,212**	**7**	10,957	4
Indonesia	**144,048**	**43**	146,320	58
Malaysia	**33,390**	**10**	39,507	16
Philippines	**22**	**–**	2,621	1
Singapore	**37,577**	**11**	7,137	3
South Africa	**51,941**	**15**	17,110	7
United Kingdom	**10,072**	**3**	150	–
Others	**24,068**	**7**	9,071	3
	337,460	**100**	253,889	100

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 24. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20 and Note 24.

(e) Commodity price risk

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

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

(e) Commodity price risk (cont'd)

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 (2010: Nil).

(f) Market price risk

Market price risk is the risk that the fair value or future cash f ows of the Group's financial instruments will f uctuate 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 RM1,000 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 RM1,000 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 non-controlling 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 maintains a Group Gearing ratio (total bank borrowings: tangible networth) of not more than 3.0.

	Group	
	2011	**2010**
	RM'000	**RM'000**
Share capital	**100,000**	75,000
Share premium	**76,372**	1,706
Retained earnings	**249,301**	199,940
Other reserves	**1,073**	(8,589)
Reserve of disposal group classified as held for sale	**–**	(3,256)
Total shareholders' equity	**426,746**	264,801
Non-controlling interests	**35,551**	42,624
Total equity	**462,297**	307,425
Less: Intangible assets (Note 17)	**1,721**	1,547
Tangible networth	**460,576**	305,878
Total borrowings (Note 28)	**563,453**	701,040
Gearing ratio as defined above	**1.2**	2.3

39. Fair values of financial instruments

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group and Company 2011			
	Quoted prices in active markets for identical instruments (Level 1) RM'000	**Significant other observable inputs (Level 2) RM'000**	**Significant unobservable inputs (Level 3) RM'000**	**Total RM'000**
Financial assets:				
Available-for-sale financial assets (Note 20)				
- Equity instruments (quoted)	**18**	**–**	**–**	**18**
- Equity instruments (unquoted)	**–**	**–**	**17,718**	**17,718**
Derivatives (Note 34)				
- Foreign currency forward contracts	**–**	**–**	**–**	**–**
At 31 December 2011	**18**	**–**	**17,718**	**17,736**
Financial liabilities:				
Derivatives (Note 34)				
- Foreign currency forward contracts	**–**	**(419)**	**–**	**(419)**
- Interest rate swap contracts	**–**	**(865)**	**–**	**(865)**
At 31 December 2011	**–**	**(1,284)**	**–**	**(1,284)**

	Group and Company 2010			
	Quoted prices in active markets for identical instruments (Level 1) RM'000	**Significant other observable inputs (Level 2) RM'000**	**Significant unobservable inputs (Level 3) RM'000**	**Total RM'000**
Financial assets:				
Available-for-sale financial assets (Note 20)				
- Equity instruments (quoted)	47	–	–	47
- Equity instruments (unquoted)	–	–	34,320	34,320
Derivatives (Note 34)				
- Foreign currency forward contracts	–	1,162	–	1,162
At 31 December 2010	47	1,162	34,320	35,529
Financial liabilities:				
Derivatives (Note 34)				
- Foreign currency forward contracts	–	(1)	–	(1)
- Interest rate swap contracts	–	(1,375)	–	(1,375)
At 31 December 2010	–	(1,376)	–	(1,376)

39. Fair values of financial instruments (cont'd)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy

The Group classified fair value measurement using a fair value hierarchy that ref ects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There has been no transfer between Level 1 and Level 2 during the financial years ended 2011 and 2010.

Determination of fair vale

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: Foreign currency 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.

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3).

Assets measured at fair value based on Level 3

	Group Available-for-sale financial asset Equity instrument (unquoted) RM'000
At 1 January 2010	–
Addition	34,320
At 31 December 2010	**34,320**
Impairment loss recognised in profit or loss under Exceptional loss (Note 11)	**(16,602)**
At 31 December 2011	**17,718**

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 2011.

39. Fair values of financial instruments (cont'd)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

Impact of changes to key assumptions on fair value of Level 3 financial instruments

The following table shows the impact on fair value of Level 3 financial instruments by using reasonably possible alternative assumptions:

		Effect of reasonably possible alternative assumptions			
	Carrying amount	Effect of change in tin price		Effect of change in discount rate	
Group and Company		+1%	-1%	+0.5%	-0.5%
	RM'000	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial asset					
- Equity instrument (unquoted)	17,718	573	(562)	(283)	302

For unquoted equity instruments, the fair value had been determined using a valuation technique based on assumptions of future tin price and discount rate. The valuation requires management to make estimates about expected future cash f ows of the shares which are discounted at current market rates. The Group and the Company adjusted the future tin price and discount rate by 1% and 0.5% respectively from management's estimates, which are considered by the Group to be within a range of reasonably possible alternatives.

(b) 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 f oating rate instruments that are re-priced to market interest rates on or near the reporting date.

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

40. Segmental information

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

For management purposes, the Group is organised into two business segments within the tin industry, and has three reportable operating segments as follows:

(a) Tin Smelting

Tin smelting includes the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sale and delivery of refined tin metal and by-products.

(b) Tin Mining

Tin mining includes activities involving exploration for and mining of tin.

(c) Others

The investments in other metal and mineral resources have been aggregated to form a reportable operating segment.

Business segments

For purpose of better decision-making about resource allocation and performance assessment, management has changed from geographical method to business unit method in determining the reported segment profit or loss.

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.

40. Segmental information (cont'd)

Business segments (cont'd)

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

	Note	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2011						
Revenue						
Sales to external customers		3,091,298	7,251	2	–	3,098,551
Inter-segment sales		–	652,676	1,796	(654,472)	–
Total revenue		3,091,298	659,927	1,798	(654,472)	3,098,551
Results						
Profit/(Loss) from operations		84,089	30,269	(1,596)	3,026	115,788
Finance costs	9	(12,974)	(6,321)	(4,755)	–	(24,050)
Share of profit/(loss) of associates and jointly controlled entity		(817)	–	25,509	–	24,692
Profit before exceptional losses		70,298	23,948	19,158	3,026	116,430
Exceptional losses, net	11	(2,000)	(16,602)	(6,696)	–	(25,298)
Profit before tax		68,298	7,346	12,462	3,026	91,132
Income tax expense	12	(13,884)	(19,557)	(279)	(756)	(34,476)
Profit/(Loss) net of tax		54,414	(12,211)	12,183	2,270	56,656

40. Segmental information (cont'd)

Business segments (cont'd)

	Note	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Assets						
Segment assets		620,996	476,876	913	(1,107)	1,097,678
Investment in associates and jointly controlled entity		2,475	–	171,706	–	174,181
Total assets		623,471	476,876	172,619	(1,107)	1,271,859
Liabilities						
Segment liabilities		574,506	234,486	1,019	(449)	809,562
Other segment information						
Additions of non-current assets						
- Property, plant and equipment	15	5,974	6,197	–	–	12,171
- Prepaid land lease payments	16	–	141	–	–	141
- Intangible and other assets	17/21	–	43,636	–	–	43,636
Depreciation	15	1,765	11,819	34	–	13,618
Amortisation of prepaid land lease payments	16	27	47	–	–	74
Amortisation of mining rights	17	–	132	–	–	132
Amortisation of corporate club membership	17	–	4	40	–	44
Amortisation of deferred mine development and deferred exploration and evaluation expenditure	21	–	29,698	–	–	29,698
Other significant non-cash expenses:						
Provision for mine rehabilitation	27	–	18,247	–	–	18,247
Provision for severance benefits	27	–	9,895	20	–	9,915
Reversal of write down of tin slag inventory no longer required		–	(13,897)	–	–	(13,897)
Interest income		(11,360)	(1,607)	–	–	(12,967)

40. Segmental information (cont'd)

Business segments (cont'd)

At 31 December 2010	Note	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue						
Sales to external customers		2,726,985	10,036	1,813	–	2,738,834
Inter-segment sales		–	521,021	1,820	(522,841)	–
Total revenue		2,726,985	531,057	3,633	(522,841)	2,738,834
Results						
Profit/(Loss) from operations		56,076	44,668	(6,911)	166	93,999
Finance costs	9	(10,320)	(6,620)	(5,426)	–	(22,366)
Share of profit/(loss) of associates and jointly controlled entity		(627)	(3,883)	8,892	–	4,382
Profit /(Loss) before exceptional losses		45,129	34,165	(3,445)	166	76,015
Exceptional losses, net	11	(8,800)	–	(145,678)	–	(154,478)
Profit /(Loss) before tax		36,329	34,165	(149,123)	166	(78,463)
Income tax expense	12	(15,369)	(20,195)	13,838	(42)	(21,768)
Profit/(Loss) net of tax		20,960	13,970	(135,285)	124	(100,231)
Assets						
Segment assets		568,391	478,423	27,671	(3,377)	1,071,108
Investment in associates and jointly controlled entity		4,413	–	144,126	–	148,539
Total assets		572,804	478,423	171,797	(3,377)	1,219,647
Liabilities						
Segment liabilities		678,614	221,874	12,183	(449)	912,222

40. Segmental information (cont'd)

Business segments (cont'd)

	Note	Tin Smelting RM'000	Tin Mining 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	3,106	21,979	3	–	25,088
- Intangible and other assets	17/21	–	37,231	1,336	–	38,567
Depreciation	15	1,092	14,987	387	–	16,466
Amortisation of prepaid land lease payments	16	26	45	–	–	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	–	12,563	–	–	12,563
Deferred exploration and evaluation expenditure written-off	21	–	612	2,042	–	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		(5,745)	(620)	(9)	–	(6,374)

40. Segmental information (cont'd)

Business segments (cont'd)

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

	Group	
	2011 RM'000	2010 RM'000
Elimination of unrealised profits on the inventories on hand arising from inter-segment purchases	**3,026**	166

The following items are deducted from segment assets to arrive at total assets as disclosed in consolidated statement of financial position:

	Group	
	2011 RM'000	2010 RM'000
Elimination of unrealised profits on the inventories on hand and its deferred tax arising from inter-segment purchases	**(658)**	(2,928)
Elimination of inter-segment rental deposit	**(449)**	(449)
	(1,107)	(3,377)

40. Segmental information (cont'd)

Geographical Information

Revenue attributable to geographic areas are based on the location for which the revenue is earned or the business is transacted. Geographical assets are based on the location or operation of the Group's assets.

	Malaysia RM'000	Indonesia RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2011				
Revenue				
Sales to external customers	**3,091,300**	**7,251**	**–**	**3,098,551**
Inter-segment sales	**–**	**493,462**	**(493,462)**	**–**
Total revenue	**3,091,300**	**500,713**	**(493,462)**	**3,098,551**
Non-current assets	**75,551**	**121,974**	**–**	**197,525**
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
Non-current assets	65,261	119,514	–	184,775

Non-current assets information presented above consist of non-current assets other than investment securities, investment in associates and jointly controlled entity, other receivables and deferred tax assets as presented in the consolidated statement of financial position.

Information about major customers

Revenue from two major customers amount to RM480,266,000 and RM332,232,000 (2010: one major customer amount to RM402,157,000), arising from sales by tin smelting segment.

41. Significant events

The following significant events occurred during the financial year ended 31 December 2011:

(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 Malaysia Securities Berhad conditionally approved the listing and quotation of up to 25 million new Company ("MSC") shares to be issued pursuant to the Proposed Public Issue in relation to the Proposed Secondary Listing in Singapore Exchange Securities Trading Limited ("SGX-ST").

On 21 January 2011, on behalf of MSC, CIMB Bank Berhad, Singapore Branch, 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.

(c) On 22 June 2011, the Company disposed of its entire 76.91% interest in Australia Oriental Minerals NL ("AOM"), a company listed on Australian Securities Exchange, comprising a total of 1,677,545,461 ordinary shares at A$0.0016 per share. Following the disposal, AOM ceased to be a subsidiary of the Company and Asiatic Coal Pte Ltd ("ACPL"), an indirect subsidiary of the Company, also ceased to be a subsidiary of the Company following the dilution of its effective interest from 53.07% to 30.0%.

On 2 November 2011, the Company disposed of its entire 30% interest in ACPL together with its indirect subsidiary, PT Asiatic Coal Nusantara ("PT ACN").

42. Subsequent events

The following events occurred subsequent to the end of the financial year ended 31 December 2011:

(a) On 5 March 2012, the Board of Directors of Malaysia Smelting Corporation Berhad ("MSC") announced that Asian Mineral Resources Limited ("AMR"), in which MSC currently holds 15.4% equity, has entered into a share subscription agreement with Pala Investments Holdings Limited ("Pala") whereby Pala will, subject to the satisfaction of certain conditions precedent, subscribe for 71,666,667 new units via placement for total consideration of CDN$4,300,000. Each unit will consist of one common share of AMR and one-half of a common share purchase warrant ("Warrants") with each whole Warrant carrying the right to subscribe one common share at an exercise price of CDN$0.10 for a period of five years commencing on the closing date of the transaction. This placement will enable AMR to sustain its operations and seek further funding to complete the Ban Phuc Nickel/Copper Project in Vietnam.

Concurrently with the above, MSC has entered into a right of first refusal agreement whereby MSC has granted Pala a right of first refusal over MSC's shareholding in AMR which is currently 31,297,661 shares. Pala and MSC have also entered into a voting and support agreement whereby MSC is unconditionally obligated to vote its shares in favour of the transactions provided for in the subscription agreement of Pala entered into with AMR in connection with the Pala subscription. Until the earlier of the date of closing or termination of the Pala subscription and 6 July 2012, MSC will not be able to dispose of any of its shares or engaging in activities in furtherance of a transaction whereby a third party would acquire any shares of AMR.

42. Subsequent events (cont'd)

Further, Pala has also entered into share purchase agreement with Mellford Pte. Ltd. and Sword Investments Private Limited, who are affiliates of the Tecity group and thereby affiliates of MSC, to purchase from them 49,481,600 issued common shares.

Upon completion of these transactions Pala will own 121,148,267 common shares representing 44.1% of the AMR's outstanding share capital and 50.3% on a fully diluted basis after Pala has exercised the Warrants in full. MSC's shareholding in AMR would be diluted to 11.4% first and then upon exercise of Warrants by Pala to 10.1%.

(b) On 9 March 2012, the Company announced that it has entered into a strategic alliance agreement ("SAA") with Optima Synergy Resources Limited ("OSRL") that would allow the latter to immediately subscribe up to 479,833,766 shares of USD0.01 each equivalent to 23% equity interest in Bemban Corporation Limited ("BCL"), the penultimate holding company of PT Koba Tin ("PT Koba").

Among others, the objectives and purposes of the SAA are as follows:

(i) Facilitating greater local Indonesian participation in PT Koba by way of increased equity ownership and management through an Indonesian affiliate company of OSRL;
(ii) Securing the PT Koba Contract of Work ("CoW") extension or new mining permits over the existing CoW area for 10 years up to 31 March 2023 through joint effort of OSRL and MSC;
(iii) Enabling BCL and operating companies to expand their businesses through performance improvement and value enhancement as well as through acquisition of additional mining permits for long term sustainable operations in Indonesia.

Upon renewal of PT Koba CoW, OSRL will be able to increase up to 50% equity interest in BCL through subscription of additional 1,126,566,234 shares of USD0.01 each subject to fulfillment of certain conditions precedent stipulated in the SAA including MSC obtaining shareholders' approval at an extraordinary general meeting (EGM) to be convened upon at a later date.

(c) On 26 March 2012, the Board of Directors of Malaysia Smelting Corporation Berhad announced that in line with the prevailing provisions of the State's Minerals Enactment (Perak) 2003 {Enakmen Mineral. (Perak) 2003} (referred to as 2003 Enactment), the Company's wholly-owned subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT") has agreed to pay royalty to the State Government of Perak ("State Government") at a higher rate of 5% on sales of tin-in-concentrates from the current rate of 2.5% payable under the existing terms of the current mining leases over Lot No.6173 (ML004), Lot No.7430 (ML005), Lot No.6175 (ML006), Lot No.6147 (ML007) and Lot No.2206 (ML008) for a total area of approximately 600.996 hectares (collectively referred to as Current Mining Leases) in Wilayah Klian Intan, Mukim Pengkalan Hulu, Daerah Hulu Perak, State of Perak Darul Ridzuan which were originally issued under the old Enactment which had subsequently been replaced by the 2003 Enactment. With this agreement to pay a higher royalty effective from March 2012, the Board is pleased that the State Government has approved the renewal of the Current Mining Leases for a longer period up to 28 September 2030 pursuant to the 2003 Enactment.

The extension of the Current Mining Leases to 2030 will enable RHT to undertake the necessary additional investments to optimize its long term production level. This is expected to result in an increase in future earnings and thus, the overall valuation of RHT. Apart from contributing an additional revenue to the State Government from higher royalty, the longer mine life is also expected to benefit the community and all other stakeholders under the principles and objectives of sustainable development.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 26 March 2012.

Supplementary information

44. 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 2011 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		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained profits of the Company and its subsidiaries:				
- Realised	**219,340**	92,800	**98,292**	71,294
- Unrealised	**18,810**	10,720	**5,623**	5,181
	238,150	103,520	**103,915**	76,475
Total share of accumulated losses from associated companies:				
- Realised	**(7,842)**	(6,944)	**–**	–
- Unrealised	**(246)**	(23)	**–**	–
Total share of retained profits/ (accumulated losses) from jointly controlled entity:				
- Realised	**38,452**	12,519	**–**	–
- Unrealised	**(249)**	(128)	**–**	–
	268,265	108,944	**103,915**	76,475
Add: Consolidation adjustments	**(18,964)**	90,996	**–**	–
Retained profits as per financial statements	**249,301**	199,940	**103,915**	76,475

Reconciliations of Malaysia FRSs with Singapore FRSs

For statutory reporting purposes in Malaysia, the Group and the Company continue to prepare consolidated and separate 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.

Malaysia FRSs vary in certain respect from Singapore FRSs. The application of Singapore FRSs that affected the preparation and presentation of the consolidated and separate financial statements is discussed below.

- <u>Classification of non-current borrowings</u>

  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 and the Company repayable in installments which are scheduled to be made after twelve months were ref ected 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 and 2011, the Group and the Company 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 and the Company'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 and 2011.

Utilisation of Proceeds

On 27 January 2011, the secondary listing of the Company was completed following the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each on the Main Board of Singapore Exchange Securities Trading Limited (SGX-ST).

The status of utilisation of proceeds from the public issue of 25,000,000 new ordinary shares of the Company as at 31 December 2011 was:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance RM'000	Expected timeframe for utilisation
Expansion of mining and smelting operations	19,690	13,448	6,242	One (1) year (by Feb 2012)
Development of new mines through selective acquisitions of suitable mining concessions or leases, mining projects and assets in Malaysia, Indonesia and other countries	62,300	–	62,300	Three (3) years (by Feb 2014)
General working capital	13,340	13,340	–	One (1) year (by Feb 2012)
Estimated expenses in relation to the public issue and secondary listing	8,860	8,684	176	One (1) year (by Feb 2012)
Total	104,190	35,472	68,718	

List of Properties of the Group 31 December 2011

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31.12.11 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	–	7 to over 50 years	25,745	2010
(b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	24 years	422	2010
(c) PT 686	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2069	NA	127	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	–	12 years	2,096	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	–	12 years	2,316	2010
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of f ats	52,000 sq. ft.	Freehold	–	11 years	3,900	2010
5. Mukim Belukar Semang and Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 44 years	220	2010
(b) Lot 1886	Vacant Land	0.4 hectares	Freehold	–	–	11	2010
(c) Lot 1868, 2071, 2163, 2546, 2547, 2548, 4160	Land with buildings	14.35 hectares	Leasehold	2012 - 2110	30 to over 50 years	249	2010
(d) Lot 1705,1706 & 1707	3 units of terrace houses	417 sq. m	Leasehold	2108	1 year	349	2011
INDONESIA							
6. PT Koba Tin Bangka Island	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	14 to 39 years	1,475	2010
7. PT MSC Indonesia Bangka Island	Land & Buildings	17,094 sq. ft.	Leasehold (Land Rights)	2034	17 to 22 years	867	2010
8. PT MSC Indonesia Bangka Island	Land & Buildings	215,278 sq. ft.	Leasehold (Land Rights)	2019	6 years	1,113	2010

Tin Statistics

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

Destination	2006	2007	2008	2009	2010	2011
Africa	1,340	957	937	220	65	380
Australia & New Zealand	249	21	28	66	–	5
China	560	220	317	806	315	1,325
EEC (incl. UK)	1,623	1,457	1,536	1,534	2,290	2,467
India, Pakistan & Bangladesh	1,141	1,521	1,490	811	240	3,140
Japan	1,985	2,639	3,780	1,650	1,669	1,633
Middle East	515	532	156	363	510	687
Taiwan	1,043	1,345	2,351	1,596	1,809	1,291
Korea	5,980	5,776	6,890	8,482	9,079	7,905
Rest of Asia Pacific	–	–	292	150	360	180
Singapore	5,400	4,968	5,811	3,175	1,300	380
South America	–	–	–	–	–	500
USA	10	–	123	93	14	1,060
	19,846	**19,436**	**23,711**	**18,946**	**17,651**	**20,953**
Malaysia (for domestic consumption) * Include tin deliveries to LME warehouses in Pasir Gudang.	4,806	3,334	7,571	17,797	21,517	18,504
Total	**24,652**	**22,770**	**31,282**	**36,743**	**39,168**	**39,457**

LME and U.S DLA's STOCKS & DISPOSALS
(In tonnes)

Period End	LME Stocks *	DLA Stocks #	
2011		Opening stock at 1.1.11	4,020
1st Quarter	18,285		
2nd Quarter	22,150	Disposals during the year	–
3rd Quarter	21,350		
4th Quarter	21,190	Closing stock at 31.12.11	4,020

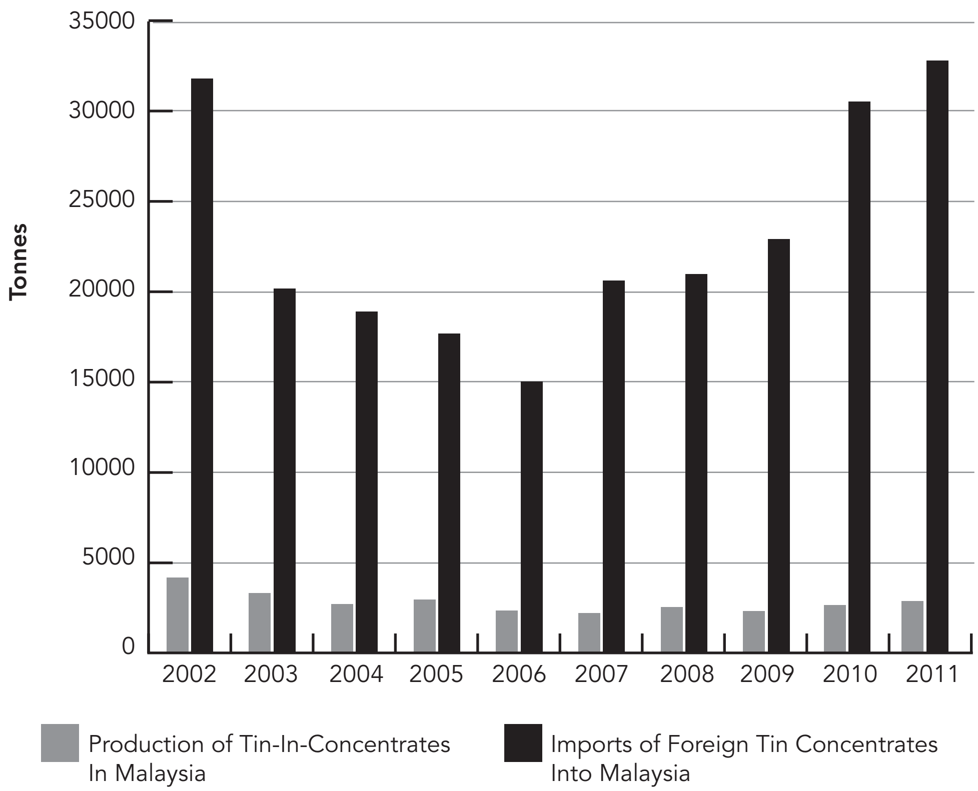
Sources: * Metal Bulletin
US Geological Survey - uncommitted stock

Tin Statistics *(cont'd)*

Production of Tin-In-Concentrates In Malaysia	
Year	Tonnes
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
2011	3,344

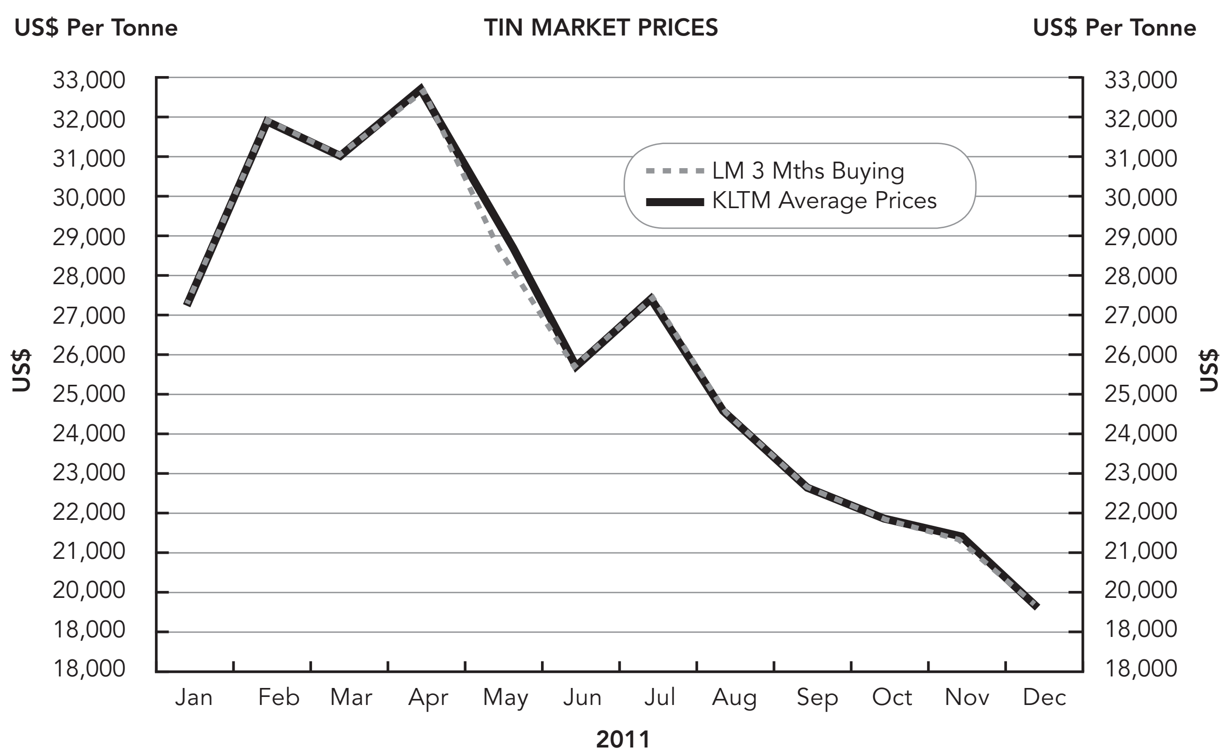
Imports of Foreign Tin Concentrates Into Malaysia	
Year	Tonnes
2002	31,788
2003	20,183
2004	18,916
2005	17,708
2006	15,064
2007	20,643
2008	20,987
2009	22,928
2010	31,359
2011	33,031

Malaysia Production and Import of Tin-In-Concentrates



Tin Statistics *(cont'd)*

	Highest US$ (Per Tonne)	KLTM Prices Lowest US$ (Per Tonne)	Average US$ (Per Tonne)	KLTM Turnover (Tonnes)	LME 3 Mths Buying Average US$ (Per Tonne)
2007	17,250	10,050	14,523	14,757	14,500
2008	25,400	9,850	18,438	18,077	18,434
2009	16,800	10,130	12,493	16,900	13,341
2010	27,000	15,395	18,859	15,599	20,400
2011	33,300	18,560	26,177	11,387	26,100
2011					
January	30,050	26,500	27,253	1,036	27,377
February	32,500	30,050	31,682	878	31,511
March	32,305	28,600	30,785	964	30,691
April	33,300	31,600	32,505	908	32,450
May	32,140	27,000	29,136	891	28,697
June	27,800	24,800	25,639	1,048	25,592
July	28,730	25,550	27,251	1,074	27,333
August	28,100	22,500	24,435	936	24,450
September	24,400	19,300	22,638	958	22,650
October	23,100	20,390	21,817	890	21,773
November	22,200	20,400	21,406	915	21,238
December	20,500	18,560	19,571	889	19,437



Shareholding Statistics
as at 21 March 2012

ANALYSIS BY SIZE OF SHAREHOLDINGS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
less than 100	7	0.16	214	0.00
100 to 1,000	2,060	47.49	1,374,236	1.38
1,001 to 10,000	1,740	40.11	7,443,250	7.44
10,001 to 100,000	461	10.63	14,947,600	14.95
100,001 to less than 5% of issued shares	66	1.52	25,373,900	25.37
5% and above of issued shares	4	0.09	50,860,800	50.86
TOTAL	**4,338**	**100.00**	**100,000,000**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 21 MARCH 2012

	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.	LEONG KOK TAI	1,296,000	1.30
8.	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	993,100	0.99
9.	QUARRY LANE SDN BHD	860,000	0.86
10.	2G CAPITAL PTE LTD	697,500	0.70
11.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD. AJIB BIN HJ. ANUAR	659,000	0.66
12.	TOH YEW KEONG	650,000	0.65
13.	MAYBEST ENTERPRISE SDN BHD	607,100	0.61

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 21 MARCH 2012 (cont'd)

	NAME	HOLDINGS	%
14.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	560,600	0.56
15.	AU YONG MUN YUE	560,000	0.56
16.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD FOR FONG SILING (CEB)	500,000	0.50
17.	HSBC (SINGAPORE) NOMS PTE LTD	470,000	0.47
18.	OCBC SECURITIES PRIVATE LTD FOR KOAY HOW SEANG	422,800	0.42
19.	CHEW GEK KHIM	400,000	0.40
20.	VISION CAPITAL PRIVATE LIMITED	400,000	0.40
21.	DBS VICKERS SECS (S) PTE LTD FOR LIM CHIEW AH	387,500	0.39
22.	LEE CHEOW YIN	356,000	0.36
23.	TOH YEW KEONG	355,000	0.36
24.	DBS VICKERS SECS (S) PTE LTD FOR LEE CHEOW YIN	354,000	0.35
25.	WONG AH WAH @ WONG FONG FUI	350,000	0.35
26.	LIM GAIK BWAY @ LIM CHIEW AH	304,000	0.30
27.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR PERSHING SECURITIES LTD	303,700	0.30
28.	YEOH AH TU	300,000	0.30
29.	REDRING SOLDER (MALAYSIA) SDN BHD	281,100	0.28
30.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	273,000	0.27

as at 21 March 2012

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 | Malaysia Smelting Corporation Berhad *(43072-A) (Incorporated in Malaysia)*

I/We ____________________________ *(full name in block letters)* of ____________________________

____________ *(address)* being a member/members of MALAYSIA SMELTING CORPORATION BERHAD hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings %

And/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings %

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on Friday, 4 May 2012 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	------------- NA -------------	
2	Declaration of Dividend		
3	Re-election of Director – Mr Chew Kwee San		
4	Re-election of Director – Dato' Seri Dr Mohd Ajib Anuar		
5	Approval of Directors' Fees		
6	Reappointment of Auditors		
7	Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965		
8	Amendments to Articles of Association		

Dated this ____________ day of ________________ 2012.

Total Number of Shares	

____

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES BELOW

Notes:

- There shall be no restriction as to the qualification of a proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- To be valid this form, duly completed must be deposited at the Registered Office of the Company at B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time of the holding of the meeting.
- A member shall be entitled to appoint more than one(1) proxy to attend and vote at the same meeting.
- Where a member appoints more than one(1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

Fold along this line

AFFIX
POSTAGE
HERE

To:

The Company Secretary
MALAYSIA SMELTING CORPORATION BERHAD (Co. No. 43072-A)
B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia

Fold along this line

> *Registered Office*

B-15-11, Block B, 15th Floor
Unit 11, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: (+603) 2166 9260/61
Fax: (+603) 2166 6599

www.msmelt.com

conceptualised by | INTACT Group