MSC

Malaysia Smelting Corporation Berhad

(43072-A)

THE STRENGTH TO PERSIST. THE TENACITY TO PREVAIL.

ANNUAL REPORT 2012

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

Cover rationale

THE STRENGTH TO PERSIST. THE TENACITY TO PREVAIL.

Two of the most admirable qualities of the bamboo plant are its resilience and flexibility. On the face of harshest winds, it bends but never breaks. Just as the bamboo, the MSC Group has faced many harsh winds blowing against it over the century of its existence, and it has bounced back even from the most difficult of times. Today, MSC Group is facing one of its toughest challenges yet but we are confident we would emerge triumphant once again as we keep to our age old formula for success – never falter at the sign of trouble, take everything in our stride, adapt according to circumstances and intensify efforts to ride out difficulties. Just as the bamboo, we have the strength to persist and with our tenacity to survive, we will prevail.

Contents

Corporate Information

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS
- Mr Norman Ip Ka Cheung *(Chairman)*
- Dato' Ng Jui Sia

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
- En Razman Ariffin

EXECUTIVE DIRECTOR
- Dato' Seri Mohd Ajib Anuar

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS
- Mr Chew Kwee San
- Mr Mark Christopher Greaves

COMPANY SECRETARY
- Cik Sharifah Faridah Abdul Rasheed (LS0008899)

MANAGEMENT
- Dato' Seri 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 Madzlan Zam
  (Head, Geology & Exploration)
- En Kamardin Md Top
  (President Director, PT Koba Tin)
- Mr Raveentiran Krishnan
  (Group General Manager, Smelting)
- Mr Yap Kean Pang
  (General Manager, Marketing & Trading)

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B-15-11, Block B, 15th Floor, Unit 11
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Email: msc@msmelt.com

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Fax: (62) (21) 251 1532
E-mail: kobatin@jkt.ptkoba.co.id
www.ptkoba.co.id

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B-15-11, Block B, 15th Floor, Unit 11
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50450 Kuala Lumpur, Malaysia
Tel: (603) 2166 8057
Fax: (603) 2166 3057

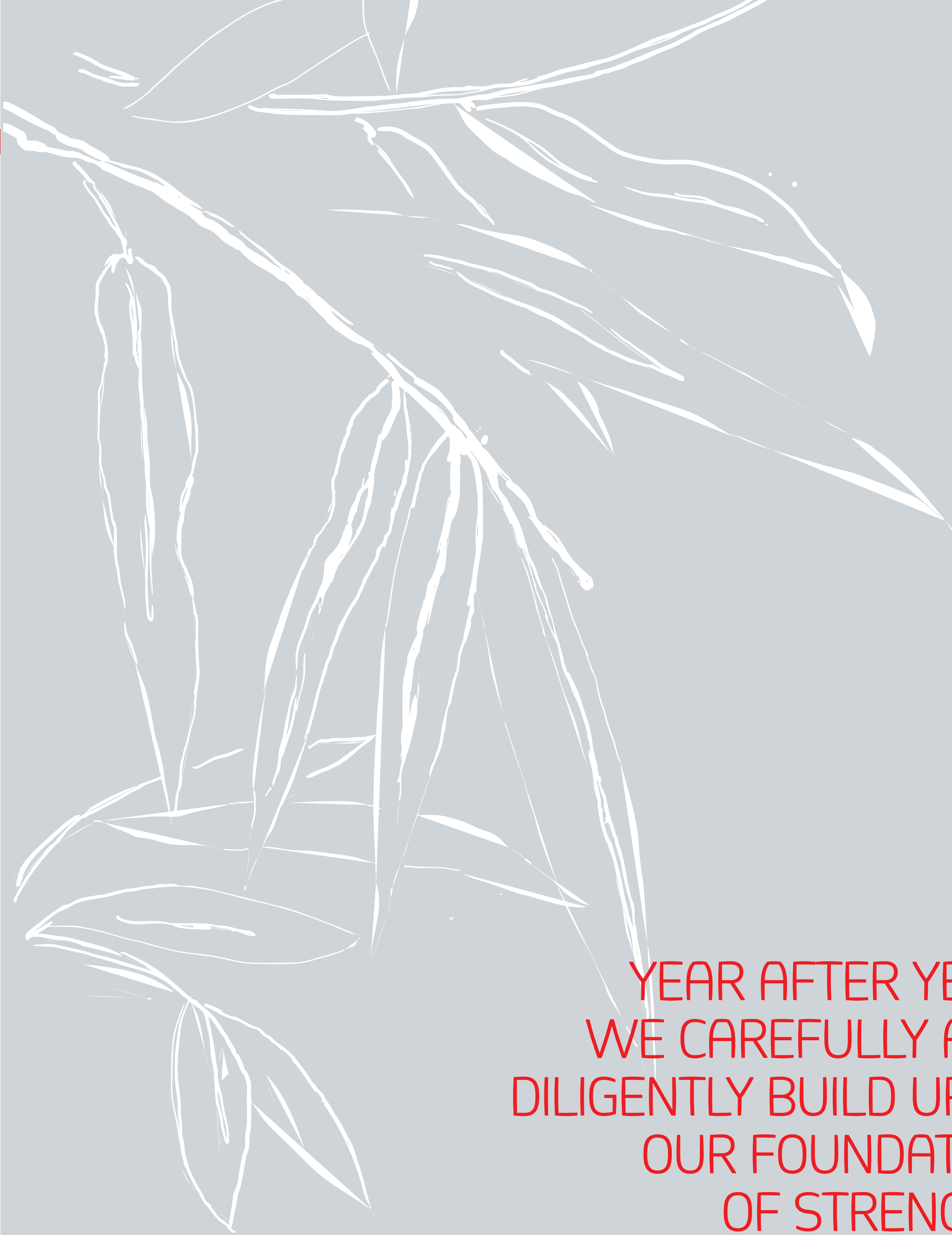
SHARE REGISTRARS
- MALAYSIA
  Symphony Share Registrars Sdn. Bhd.
  Level 6, Symphony House
  Pusat Dagangan Dana 1
  Jalan PJU 1A/46,
  47301 Petaling Jaya,
  Selangor, Malaysia
  Tel: (603) 7841 8000
  Fax: (603) 7841 8151/8152
- SINGAPORE
  Tricor Barbinder Share Registrar Services
  80 Robinson Road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

ROBUSTNESS



YEAR AFTER YEAR, WE CAREFULLY AND DILIGENTLY BUILD UPON OUR FOUNDATION OF STRENGTH, REINFORCING OUR ABILITY TO WITHSTAND THE CHALLENGES THAT COME OUR WAY

"The bamboo has a higher tensile strength than steel alloys and higher compressive strength than concrete."

MSC – a global integrated tin mining and

The MSC Group is currently one of the world's leading integrated producers of tin metal and tin based products and a global leader in custom tin smelting since 1887. In 2012, the Group produced 39,693 tonnes of tin metal maintaining its position as the second largest supplier of tin metal in the world. 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 subsidiary of The Straits Trading Company Limited of Singapore.

With the Group's core expertise and solid foundation of over a century of smelting excellence to its credit, the Group's smelting facility in Butterworth operates one of the most cost efficient smelting plants in the world converting primary, secondary, and often complex tin bearing ores into high purity tin metal for industrial application. The plant has a production capacity of approximately 35,000 tonnes of refined tin a year and uses reverberatory furnace technology which is ideally suited for custom smelting. The smelting and refining operation has undergone significant technological, flow sheet and process changes and now has the capability of treating a wide variety of tin bearing materials.

In the mid 1990'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 Kuala Lumpur Tin Market (KLTM)/London Metal Exchange (LME) markets as well as the end-user markets worldwide. MSC Straits refined tin brand, which is registered at LME and KLTM, is accepted worldwide and has purity ranging from the standard Grade A (99.85% Sn) to the premium grade electrolytic tin (99.99% Sn).

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

The Group's Indonesian operation has been primarily undertaken through the 75% owned subsidiary, PT Koba Tin under a contract of work (CoW) agreement which had expired after 31 March 2013. It is currently operating under a three months' temporary mining permit. Subject to a positive outcome of the CoW extension, the Group's interest in PT Koba Tin will be reduced to 30% with Indonesian interests increasing to 70%. This is in line with the Indonesian government's new policy and national aspiration for greater local participation in the ownership and management of mining companies. 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 and has its own smelter with a production capacity of 25,000 tonnes of refined tin a year.

The Group's 40% equity interest in Redring Solder (M) Sdn. Bhd. provides vertical integration to its tin smelting business and an entry into a profitable downstream solder manufacturing business with significant growth potential. Redring Solder's principal activities are the manufacture and sale of solder

smelting group

products for jointing and semi-conductor applications in the electrical and electronics industries.

GROWTH STRATEGY

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

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

Investment opportunities will continue to be evaluated and the Group may in future decide to invest in selective projects that meet its investment criteria. Main 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.

DIVESTMENT OF NON-TIN INVESTMENT

Consequent upon a decision made in 2009 to reposition the Group to focus on its original core business of tin, MSC would continue to pursue appropriate options to divest its 30% interest in a polymetallic mine (producing copper, zinc, gold and silver in concentrates) in the Philippines.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Fourth Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at Serindit Room, Hotel Equatorial Penang, Jalan Bukit Jambul, Penang, Malaysia on Wednesday, 29 May 2013 at 11.00 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 2012 and the Report of the Directors and Auditors thereon be and are hereby received."

2. "THAT Mr Norman Ip Ka Cheung, who retires in accordance with Article 101 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

3. "THAT Mr Mark Christopher Greaves, 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' Ng Jui Sia , who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

5. "THAT the Directors' fees of RM465,000.00 in respect of the year ended 31 December 2012 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."

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

BY ORDER OF THE BOARD
Sharifah Faridah Abdul Rasheed
Company Secretary
Kuala Lumpur
Date: 6 May 2013

Notes:

1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 22 May 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Thirty Fourth 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 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 Third Annual General Meeting of the Company held on 4 May 2012. 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

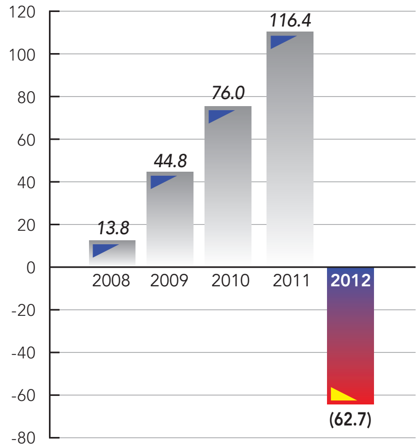
		Year ended 31 December				
		2008*	2009*+	2010*	2011**	2012**
Revenue	(RM Mil)	2,276.4	1,851.7	2,738.8	3,098.6	**2,328.7**
Profit/(Loss) before exceptional items	(RM Mil)	13.8	44.8	76.0	116.4	**(62.7)**
Exceptional items, net	(RM Mil)	(42.0)	65.0	(154.5)	(25.3)	**(145.7)**
Profit/(Loss) before tax	(RM Mil)	(28.2)	109.8	(78.5)	91.1	**(208.4)**
Income tax expense	(RM Mil)	(18.6)	(41.2)	(21.8)	(34.5)	**(29.9)**
Profit/(Loss) attributable to the owners of the Company	(RM Mil)	(46.3)	72.4	(80.2)	60.5	**(172.3)**
Total assets	(RM Mil)	1,062.5	1,231.6	1,219.6	1,271.9	**890.0**
Net current assets/(liabilities)	(RM Mil)	33.1	68.0	30.2	119.4	**(61.1)**
Equity attributable to the owners of the Company	(RM Mil)	296.5	367.8	264.8	419.1	**232.8**
Earnings/(Loss) per share	(sen)	(62)	97	(107)	62	**(172)**
Gross dividend declared/proposed per share	(sen)	8	3	3	30	**–**
Net assets per share attributable to the owners of the Company	(sen)	395	490	343	419	**233**
Pre-tax profit/(loss) on average equity attributable to the owners of the Company	(%)	(9)	33	(25)	27	**(64)**

+ 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 in financial year ended 31 December 2009.

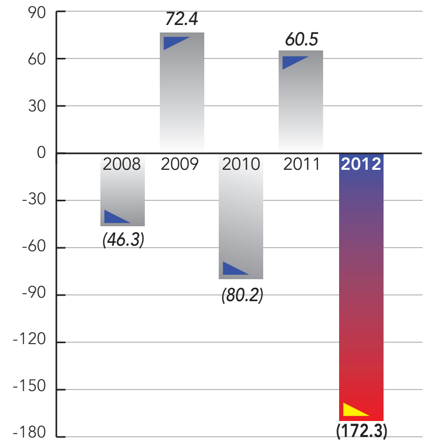
* Prepared in accordance with FRS.

** Prepared in accordance with MFRS.

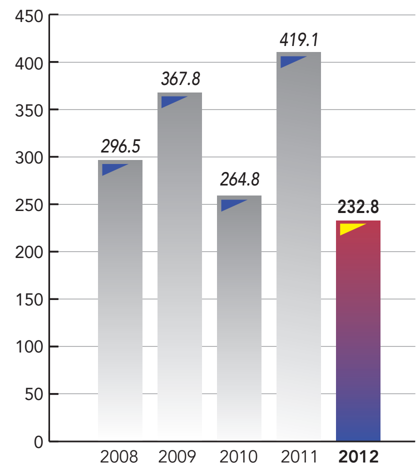
Group Financial Highlights *(cont'd)*



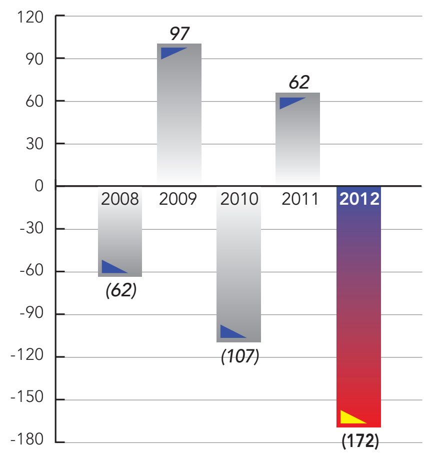
Profit/(Loss) before exceptional items (RM Mil)



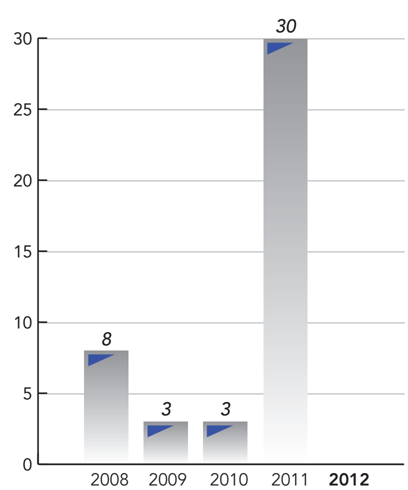
Profit/(Loss) attributable to the owners of the Company (RM Mil)



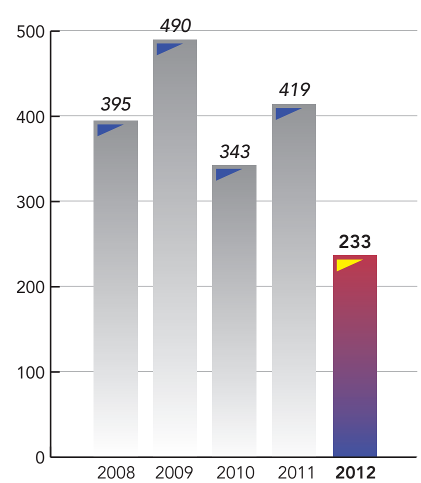
Equity attributable to the owners of the Company (RM Mil)



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

Seated (from left to right):
- **Dato' Seri Mohd Ajib Anuar**
  - Executive Director
- **Mr Norman Ip Ka Cheung** (Chairman)
  - Independent Non-Executive Director

Standing (from left to right):
- **Mr Chew Kwee San**
  - Non-Independent Non-Executive Director
- **Mr Mark Christopher Greaves**
  - Non-Independent Non-Executive Director
- **Dato' Ng Jui Sia**
  - Independent Non-Executive Director
- **En Razman Ariffin**
  - Senior Independent Non-Executive Director

Directors' Profile

Mr Norman Ip Ka Cheung is a British subject aged 60 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 chairs the Remuneration Committee and is a member of the Audit Committee and 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. 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 United Engineers Limited, Great Eastern Holdings Limited, and a director of UE E&C 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 Norman Ip Ka Cheung 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.

Mr Norman Ip Ka Cheung

Dato' Seri Mohd Ajib Anuar is a Malaysian aged 63 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 President and Director of ITRI Ltd 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 and Vice President of ASEAN Federation of Mining Associations.

Prior to his appointment as the CEO of the Company, Dato' Seri 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).

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

Dato' Seri 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.

Dato' Seri Mohd Ajib Anuar

En Razman Ariffin is a Malaysian aged 65 years. He was appointed to the Board of the Company in February 2006 as an Independent Non-Executive Director. He was re-designated as the Senior Independent Director of the Company and the Chairman of the Audit Committee in June 2010. He is also member of the Nominating Committee and the Remuneration Committee.

En Razman Ariffin graduated from the Imperial College of Science and Technology at the University of London, England with First Class Honours in Mining Engineering.

His involvement in the mining, metallurgical and energy industries spans over 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.

En Razman Ariffin 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

Mr Chew Kwee San is a Singaporean aged 44 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 a Council Member of the Tan Chin Tuan Foundation in Singapore and Council Member of the Tan Sri Tan Foundation in Malaysia.

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").

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, is a substantial shareholder of STC. STC owns 55.30% of the equity of the Company. Mr Chew has never been convicted of any offence.

Mr Chew Kwee San

Mr Mark Christopher Greaves is a British national aged 56 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, later becoming Deputy Chairman of Hanson Family Holdings Limited, a role which he held until early 2012. During this period, Mr Greaves was also a director of Hong Kong-listed Gome Electrical Appliances Holding Limited (2005-2009) and a director and subsequently Chairman of London-listed Sinosoft Technology Plc f (2006 to 2010). Currently, he is a director of Hanson China Partners Limited, Sinojie Hanson Limited and Octtane Pte Ltd, the branded entertainment and media company behind a number of innovative projects. Mr Greaves now 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. Neither has he been convicted of any offence.

Mr Mark Christopher Greaves

Dato' Ng Jui Sia is a Singaporean aged 61 years. He was appointed to the Board of the Company in September 2012 as an Independent Non-Executive Director. He was also appointed as a member of the Audit Committee on the same date.

Dato' Ng holds a Bachelor's degree in Business Administration, University of Singapore and is an Associate of the Institute of Chartered Accountants in England & Wales.

Dato' Ng began his career in accounting and auditing in London and Singapore with PriceWaterhouse and has extensive general management experience operating in Hong Kong, China, South Asia, Malaysia and Singapore. He was with Carnaud MetalBox Asia before he joined the F&N Group in 1995. He led a management team in F&N Coca-Cola Singapore and Malaysia from 1995 till 2006 prior to his secondment to F&N's Times Publishing Ltd as CEO with an international portfolio of printing, publishing, distribution and book retailing. Dato' was also a nominee director in Fung Choi Media Group Ltd., a China based company listed on the Singapore Stock Exchange and PMP Ltd, a company listed on the Australia Stock Exchange from November 2007 to July 2010. Since August 2010, Dato' Ng serves as the Chief Executive Officer of Fraser & Neave Holdings Group.

Dato' Ng currently sits on the Board of Cocoaland Holdings Berhad, Fraser and Neave Holdings Berhad and a number of private limited companies in the Fraser & Neave Holdings Berhad's Group.

Dato' Ng 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.

Dato' Ng Jui Sia

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 entities (the Group) for the year ended 31 December 2012.

2012 was an extremely difficult year for the MSC Group. The Directors and management of MSC are deeply disappointed with having to make a substantial impairment provision on PT Koba Tin in the Group's 2012 full year results due to the Indonesian Government's deferment of its decision on the extension of PT Koba Tin's Contract of Work (CoW) which expired after 31 March 2013. This adverse impact on the Group's results reflects the extremely difficult challenges in doing business in Indonesia. Nevertheless, we are fortunate that despite this substantial provision, MSC's underlying business and balance sheet still remain in good health.

The Malaysian operations continued to perform well with both its Butterworth international smelting business and the Rahman Hydraulic Tin mine in Perak achieving satisfactory results despite lower tin prices and challenging business environment throughout MSC's supply chain of tin concentrates particularly in Central Africa which was affected by conflict minerals issues. The uncertainty on the renewal of Koba Tin's CoW hampered mine development works and smelting activities in 2012 which resulted in significantly lower production and high unit costs of production, aggravated further by lower tin prices, high rationalisation costs and other impairments.

Amid these unprecedented challenges in Indonesia and the continuing volatility in the global commodities market, the Group delivered mixed results in 2012 with an overall operating loss of RM62.7 million before the impairment provision and exceptional items compared with a pre-tax profit of RM116.43 million before exceptional items in 2011. After providing for exceptional items of RM145.7 million, the Group recorded a loss before tax of RM208.4 million.

The overall fall in commodity prices in 2012 had also affected the price of tin metal which averaged 19.2% lower at USD21,100 per tonne compared with USD26,100 per tonne in 2011.

The Group's turnover decreased by 24.8% to RM2.3 billion in 2012 from RM3.1 billion in 2011 due to lower volume of sales on the back of lower tin prices.

In spite of the overall loss, the Group's cash position remains healthy. Net cash generated from operating activities in 2012 was positive, totalling RM64.2 million. The Group also reduced its bank borrowings by RM126.4 million in 2012. The Group's cash and bank balances as at the end of 2012 was RM139.1 million. MSC has sufficient bank credit facilities to finance its ongoing international tin smelting business.

TIN SMELTING AND MINING OPERATIONS

The Butterworth international smelting operations achieved a pre-tax profit of RM56.6 million before exceptional items in 2012 compared with RM70.3 million before exceptional items recorded in 2011. Production of tin metal decreased to 37,792 tonnes from 40,267 tonnes in 2011. The reduction was mainly due to lower intake of African tin concentrates as the supply from the African region continued to be affected by the implementation of the the International Tin Supply Chain initiative (iTSCi) in ensuring responsible sourcing of tin concentrates. Despite the fall in production, the Group maintained its position as the second largest supplier of refined tin metal globally.

The Group continues to engage actively with all stakeholders of the tin industry in dealing with conflict minerals issues to ensure transparency and accountability in its minerals sourcing. The iTSCi scheme has been successfully implemented in the Katanga, Maniema and South Kivu provinces in the Democratic Republic of Congo (DRC) and its neighbouring countries. The DRC has been a significant source of tin concentrates for the Butterworth smelting operations. Your Board is pleased with the

positive outcome of the continuous engagement efforts undertaken by MSC and all the stakeholders. In particular, the Butterworth smelting facility which has been audited under the Electronic Industry Citizenship Coalition CFS (Conflict Free Smelters) audit scheme, has now been certified as CFS compliant for the 2012/13 audit period.

Despite a satisfactory improvement in production, lower tin prices affected the Rahman Hydraulic Tin mine in Perak which recorded a pre-tax profit of RM29.4 million in 2012 compared with RM59.0 million achieved in 2011.

At Koba Tin, the delay in the renewal of the CoW adversely affected its operations, production and rationalisation efforts. The planned revival of small scale mining operations and expansion of tin smelting volume under tolling arrangements with third parties did not materialise in 2012. Mine development works which were necessary to gain access to new ore deposits were also halted resulting in sharply lower production. High cost producing units were also closed down due to lower tin prices. The overall production in 2012 was only 1,901 tonnes, a 70% reduction when compared to the 6,332 tonnes produced in 2011. Because of the high 'legacy' fixed overhead costs after four decades of mining and lack of economies of scale in the mining and smelting operations, Koba Tin suffered a loss before tax of USD44.0 million in 2012. After providing for an exceptional impairment provision of USD44.1 million, the loss after tax increased to USD85.0 million in 2012.

PT KOBA TIN

In the fourth quarter of 2012, with CoW's renewal still pending and due to increasing losses, Koba Tin decided to close down all its mining and smelting operations and implemented an aggressive cost reduction and right-sizing programme. It also implemented a voluntary separation scheme and by the end of 2012, its workforce was reduced by 40%. Mining and maintenance contracts and labour supply agreements were either re-negotiated or terminated.

Rationalisation and cost reduction efforts continued in 2013. If the Government of Indonesia (GOI) within the next three months decides to grant a new mining licence for 10 years effective from 1 April 2013, we would expect PT Koba Tin to return to profitability. However necessary mine development works need to be undertaken to ensure sustainable production.

Although the Company has made a full provision for impairment on its investment in Koba Tin and contingent liabilities we are still hopeful that the GOI would make a positive decision for the benefit of Koba Tin and all its stakeholders which include the central and local governments, local communities, local suppliers and contractors and all mine employees. In the event that an extension of the CoW (or an alternative mine operating licence) is granted, a substantial proportion of the impairment provision may be subject to reversal, depending inter alia on the specific terms and conditions of such grant and on the circumstances prevailing at that time. As announced in 2012, in such an event pursuant to a strategic alliance agreement with an Indonesian owned company, MSC has agreed to reduce its effective interest in Koba Tin to 30%.

DEVELOPMENT AND GROWTH

While the Group continues to pursue opportunities and evaluate several tin prospects especially in the ASEAN region, Australia and Central Africa with a view to expanding its tin mining assets and resources for the Group's long term growth, we are committed to a disciplined and vigorous investment process prior to making an investment decision. The potential tin resources around the world are located mostly in jurisdictions where governments and communities are seeking greater custody of their mineral wealth. Commercial instability can arise

due to political and administrative changes, policy reform and changes in law and governmental regulations. In addition to the projects' economic, technical and operating risks, the Group will continue to assess political, social, legal and regulatory conditions and risks in the countries and environment in which it plans to invest.

In the DRC where MSC has been sourcing tin concentrates for many years the Group has made an initial entry investment in a joint venture tin smelting project with a monthly designed capacity of 300 tonnes of crude tin metal which will be sent to the Butterworth smelting facilities for further refining and rebranding. MSC's equity interest in this venture named Africa Smelting Corporation Sprl is 40% and the smelting operation is expected to commence in the second half of 2013.

The priority of the Group in 2013 is to achieve turnaround in its performance, improve its cash flows and strengthen its balance sheet.

PROSPECTS

The MSC Group went through very trying and challenging times in dealing with Koba Tin's CoW renewal issues as well as conflict minerals issues in its Central Africa tin business and has emerged more resilient than ever.

Having made a full impairment provision on its investment in Koba Tin and with the Group's constructive engagements in Africa, its strong international business networks and its profitable smelting and mining operations in Malaysia, the MSC Group is well-positioned to deliver positive and sustainable earnings to our shareholders.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2012.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance to safeguard the interests of shareholders and stakeholders. In order to enhance the Company's corporate governance practices and to align its current practices to the principles of the new Malaysian Code on Corporate Governance 2012, the Company has undertaken a corporate governance assessment exercise and subsequently is in the process of bridging the gaps so as to further strengthen transparency, accountability and integrity and boost investor confidence. 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 set out in the Malaysian Code on Corporate Governance 2012.

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

Risk in today's world moreover is multifaceted. The Group has instituted an ongoing process for identifying, evaluating and managing the significant risks endemic to our industry. The Internal Control Statement 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 warm welcome to Dato' Ng Jui Sia who joined the Board on 19 September 2012 as an Independent Non-Executive Director. A special note of thanks is conveyed to Mr Yeo Eng Kwang and Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong who stepped down from the Board on 4 May 2012 and 18 September 2012 respectively for their valuable contributions. Further, on behalf of the Board, I would like to express our thanks to our fellow directors for their wise counsel and guidance throughout the year. I would also like to take this opportunity to acknowledge the support of our shareholders, 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. My sincere 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 April 2013

Group Chief Executive Officer's Report

PERFORMANCE

The MSC Group faced the most serious setback in its Indonesian operation. PT Koba Tin had to make a substantial provision for impairment on the carrying value of all its assets in the financial year 2012 as a result of the Indonesian Government's deferment of its decision on the extension of Koba Tin's Contract of Work (CoW) which expired after 31 March 2013. The continued delay and uncertainty on the CoW's renewal in a year of tin price weakness and heightened volatility against a backdrop of global economic slowdown resulted in substantial operating losses at Koba Tin. Koba Tin's mine development had to be halted and consequently tin production fell significantly and unit production costs increased.

Fortunately, the resilience of the Group's Malaysian operations and our strong international business networks enabled us to mitigate the adverse impact of these unprecedented challenges in Indonesia and to continue to build on the foundation of our long and successful integrated mining and smelting business. Our business model will continue to be driven by our niche expertise, connectivity and value creation throughout the entire tin supply chain from geology to mining, mineral processing, smelting, marketing and financing as well as risk management , resource and sustainable management.

With the full impairment made on Koba Tin, we have positioned the Group to deliver healthy profits and improved cashflows in 2013 irrespective of the outcome on Koba Tin's CoW extension.

Production and Sales	2012	2011
Tin Metal Production (tonnes)		
MSC International Custom Smelter, Butterworth	**37,792**	40,267
Rahman Hydraulic Tin (tin-in-concentrates)	**2,179**	2,010
PT Koba Tin	**1,901**	6,332
Average tin price (USD per tonne)	**21,100**	26,100
Sales	**RM 2.3 billion**	RM 3.1 billion

Our Group production and sales in 2012 were affected by weaker tin prices, operational constraints at Koba Tin and lower volume of tin concentrates from Central Africa as the region continued to overcome the challenges arising from conflict minerals issues which had adversely disrupted production. The progressive implementation of due diligence process through the International Tin Supply Chain Initiative (iTSCi) and the Conflict Free Tin Initiative (CFTI) will gradually open up more conflict free mining areas and improve the production from the region as we move forward. We are pleased that our Butterworth's tin smelter has now been certified CFS (Conflict Free Smelters) compliant for the 2012/13 audit period.

Financial Highlights

	2012	2011
	(RM Million unless otherwise stated)	
(Loss)/Profit before exceptional items	**(63)**	116
(Loss)/Profit before tax	**(208)**	91
(Loss)/Profit after tax	**(238)**	57
(Loss)/Profit after tax attributable to the owners of MSC	**(172)**	61
Cash and bank balances	**139**	236
Equity attributable to the owners of MSC	**233**	419
Debt: Equity Ratio	**2.3 : 1**	1.2 : 1
(Loss)/Earnings per share	**(172.3 sen)**	61.6 sen
Gross Dividend paid and proposed per share	**–**	30.0 sen
Net assets per share	**RM2.33**	RM4.19
Pre-tax (loss)/return on average shareholders' equity attributable to the owners of MSC	**(64%)**	27%

Due to significant losses at Koba Tin the Group incurred an overall loss of RM62.69 million before exceptional items in 2012 compared with a profit of RM116.4 million before exceptional items in the previous year. After providing for impairment on Koba Tin and other exceptional items the Group loss amounted to RM208.38 in 2012. Details of the impairment provisions and exceptional items are given in the Note no.11 in the financial statements.

The overall loss reduced the Group's net assets to RM199.05 million as at 31 December 2012. However, net cash generated from operating activities in 2012 was positive, totalling RM64.16 million. The Group also reduced its bank borrowings by RM126.43 million. Bank borrowings totalled RM437.15 million as at 31 December 2102. The Group's overall cash and bank balances at the end of 2012 was RM139.06 million. We have adequate bank credit facilities to fully finance the current tin smelting and mining operations in Malaysia. With the Malaysian operations continuing to be profitable we expect MSC Group's cash flows to gradually improve in 2013.

INTERNATIONAL SMELTING BUSINESS

	2012	2011
Production of refined tin metal (tonnes)	**37,792**	40,267
Profit before tax (RM million)	**56.61**	68.30

Our major focus in 2012 continued to be in strengthening our position to create value throughout the global tin supply chain. We intensified our efforts in engaging with all the stakeholders of the tin industry particularly at the upper stream end of the supply chain to expand the development and implementation of the iTSCi scheme to provide transparency, traceability and good governance in ensuring responsible sourcing of tin concentrates for our international smelting business. The iTSCi scheme which was successfully implemented in Rwanda and Katanga Province in the Democratic Republic of Congo (DRC) in 2011 had been extended to Maniema and South Kivu provinces in the DRC during 2012. Our Butterworth's tin smelting facility had also been audited under the Electronic Industry Citizen Coalition (EICC)'s Conflict Free Smelters (CFS) audit. We are pleased that the Butterworth's smelter has now been certified CFS compliant for the 2012/13 audit period.

Central Africa provides a significant source of tin concentrates for our Butterworth's smelter. We will continue to expand the implementation of the iTSCi scheme to other tin producing conflict-affected regions of Central Africa especially in North and South Kivu provinces of the DRC where the conflict minerals issue originated.

In line with the aspiration of the DRC Government, MSC made a maiden foray in a joint venture tin smelting project by taking a 40% equity interest in Africa Smelting Corporation Sprl based in Lubumbashi, Katanga province. The smelter will operate two electric arc furnaces with an initial designed production capacity of 300 tonnes per month of crude metal and is expected to commence operation during the second half of 2013. The crude tin will be sent to the Butterworth's smelter for further refining and rebranding.

Our Butterworth's smelter asset optimisation efforts continued to derive value through further improvement in operating efficiencies and increase in refining capacity to produce premium tin grades for the more lucrative segment of the market. Our core strength in tin metallurgy and smelting have been further enhanced by our other niche expertise in geology, mining, mineral processing, logistic and marketing in creating value throughout the tin supply chain for the Group's benefits and as well as that of all our suppliers and stakeholders.

Due to the negative effects of conflict minerals issues on production from small scale artisanal miners in Central Africa and the need to progressively implement the due diligence system and the iTSCi scheme, the overall supply of tin concentrates to the Butterworth's smelter was lower in 2012 resulting in lower production of refined tin metal compared with the higher volume achieved in 2011. Combined with the effect of 19.2% fall in tin prices the profit before tax earned in 2012 was also lower.

TIN MINING

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

	2012	2011
Production of tin-in-concentrates (Tonnes)	**2,179**	**2,010**
Profit before tax (RM million)	**29.42**	59.01

RHT operates a hard rock open pit mine in the State of Perak and is Malaysia's largest tin mine contributing about 60% to the Country's production. Its production of 2,179 tonnes of tin-in-concentrates in 2012 was its highest recorded.

Mine pit operations follow the mine optimisation design model which maximises tin ore recovery and minimises overburden waste removal with much emphasis being placed on improving environmental standards and ensuring safety at the mine pit and tailing retention areas. Mining involves drilling and blasting followed by the use of earthmoving equipments to remove, haul and deposit barren overburden materials to designated waste dumps and tin-bearing ore materials to processing plants. The hard rock tin bearing materials are crushed using jaw crushers and ground with rod mills to liberate the tin ore grains which are sent to processing plants involving gravity concentration using jigs and shaking tables, lanchutes, willoughby classifiers and magnetic separators to produce tin ore grade concentrates for shipment to the Butterworth smelter. The weathered materials in which tin ore grains are already liberated are processed by gravity concentration at two Palong units.

Volume of overburden waste materials removed increased from 2.35 million cubic meters in 2011 to 3.0 million cubic meters in 2012 which enabled the exposure of more steeply dipping ore body and the widening of the mine pit floor. Further improvements to operational efficiencies of the ore processing plants resulted in a higher volume of processed ore of 0.93 million cubic meters from 0.83 million cubic meters in 2011 and consequently a higher production of tin-in-concentrates.

During 2012, RHT successfully completed the upgrading of the power supply facilities from the national electricity company from 1.5 MW previously to 3.8 MW resulting in further saving in power cost through a reduction in the usage of diesel generator sets which generate electricity at higher unit cost.

Despite increased production and improvement in operating efficiencies profit before tax was lower in 2012 due to lower tin prices.

TIN RESOURCE

RHT tin resource estimates are based on a combination of 98 reverse circulation drill holes and 49 diamond drilled holes with a total drilled length of 17,840 meters combined with data from 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 design of the mine pit is continuously being updated throughout the mine life taking into account significant changes in tin price, mining costs, safety of pit slopes, waste overburden stripping ratio and tin grade. This pit optimisation plan is designed to maximise ore recovery and economic reserves.

As part of continuing exploration programmes to increase tin resource RHT will undertake a seismic reflection survey at the mine pit in 2013 with the objective of exploring deeper ore resource targets beyond the maximum drilling depths of the previous drilling programmes. Subject to encouraging results from this geophysical survey a deep drilling programme will be carried out to confirm the existence of these deep tin ore bodies.

RHT's Ore Resource Summary as at 1 January 2013 is as follows:

RESOURCE CLASS	ORE VOLUME (m^3)	GRADE ($KgSn/m^3$)	CONTAINED TIN (SN) (Tonnes)
Measured	2,250,742	2.70	6,072
Indicated	2,572,292	2.67	6,862
Inferred	15,629,305	1.66	25,995
TOTAL	**20,452,339**	**1.90**	**38,929**

Note: RHT grades are Ore Volume grades, whereas Koba Tin grades are Total Volume grades (ore + waste).

PT Koba Tin, Indonesia

	2012	2011
Production of tin-in-concentrates (Tonnes)	**1,901**	6,332
Loss before Tax (USD million)	**(88.1)**	(5.47)

PT Koba Tin's Contract of Work (CoW) with the Government of Indonesia (GOI) giving it the exclusive rights for exploration, mining and smelting of tin within an area of 41,680 hectares had expired after 31 March 2013. The GOI has formed an evaluation committee to submit recommendation within a maximum period of three months on whether an extension of the CoW for a further period of 10 years or a new mining licence for a similar period should be granted to Koba Tin. In the meantime Koba Tin is allowed to continue its production operations during this period of three months.

The expired CoW commenced in 1973 for a period of thirty years and it was renewed for another 10 years up to 31 March 2013.

In 2012, MSC entered into a strategic alliance agreement with an Indonesian controlled company, Optima Synergy Resources Limited (OSRL) allowing OSRL to gain an effective interest of 45% in Koba Tin upon the granting of CoW extension for another 10 years. With greater Indonesian participation the strategic alliance will bring greater economic and social benefits to all Koba Tin's stakeholders in line with the new policy guidelines of the Indonesian Government.

The delay and uncertainty on the renewal of the CoW adversely affected Koba Tin's operations, production and rationalisation efforts. Overburden waste stripping and development works necessary to gain access to new ore deposits were halted resulting in sharply lower production. High cost producing units were also closed down due to lower prices thus incurring additional costs for mine closure and further reducing production.

Koba Tin also faced increased incursions of small-scale miners (SSM) resulting in further damage to the mining land including those previously reclaimed and rehabilitated. The SSM incursions also posed security threats and caused disruptions to the Company's operations. Due to uncertainties with regard to the legal position concerning these SSM activities, Koba Tin ceased collection of tin from this source although the company has legal and exclusive rights over the tin ore extracted. The overall production of Koba Tin in 2012 was only 1,901 tonnes, a 70% reduction when compared to the 6,332 tonnes produced in 2011. Burdened further by the high 'legacy' fixed overhead costs after four decades of mining and lack of economies of scale in the mining and smelting operations, Koba Tin suffered a loss before tax of USD88.1 million in 2012, including an exceptional provision for impairment losses of USD44.1 million due to the expiry of its CoW.

In the fourth quarter of 2012, with the CoW's renewal still pending and due to increasing losses, Koba Tin decided to close down all its mining and smelting operations and implemented an aggressive cost reduction programme. It also implemented a voluntary separation scheme and by the end of 2012, its workforce was reduced by 40%. Mining and maintenance contracts and labour supply agreements were either re-negotiated or terminated. Extensive rationalisation and cost reduction efforts continued in 2013. Subject to CoW's extension, we expect a return to profitability in 2013.

TIN RESOURCE

As at 30 June 2012, Koba Tin's estimated remaining tin resources totalled approximately 31,644 tonnes. Koba Tin believes that further exploration and drilling 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.

The following table shows the estimated reserves and resource inventory as at 30 June 2012. These estimates are based on the guidelines of the JORC code.

Category			Volume, '000 m^3	Whole-of-Hole Grade, Kg Sn/m^3	Contained Tin, tonnes
Reserves	-	Proven	70,133	0.22	15,219
	-	Probable	2,350	0.28	661
Total Reserves			**72,483**	**0.22**	**15,880**
Resources	-	Measured	10,353	0.31	3,190
	-	Indicated	18,362	0.21	3,779
	-	Inferred	44,441	0.20	8,795
Total Resources			**73,156**	**0.22**	**15,764**
Total Reserves and Resources			**145,639**	**0.22**	**31,644**

NON-TIN INVESTMENT

KM Resources, Inc (Rapu Rapu Polymetallic Mine) – MSC's interest : 30%

In 2012, the mine processed 930,799 tonnes of ore at an average grade of 1.17% Cu, 2.22% Zn, 1.80 g/t Au and 30.99 g/t Ag to produce 37,353 dmt (dried metric tonnes) of copper concentrate and 26,736 dmt of zinc concentrate. These concentrates contained 7,772 tonnes of copper, 13,472 tonnes of zinc, 31,655 oz of gold and 475,436 oz of silver compared with 7,146 tonnes of copper, 14,596 tonnes of zinc, 29,337 oz of gold and 479,869 oz of silver produced in 2011.

The processing plant has a designed throughput of 1.0 million tonnes of ore a year and the main stages are grinding the crushed ore to fine particles with a SAG mill, ball mill and regrind mill; separation of the copper and zinc concentrates by flotation using appropriate reagents, and reducing the moisture content of the concentrates to an acceptable level for shipment (i.e. less than 11% moisture) with thickeners and filter presses.

Sale revenue for 2012 was approximately USD121.8 million, lower than USD143.3 million achieved in 2011. About 78% of the sale revenue was derived from copper and gold while zinc and silver accounted for the balance.

Net profit after tax was USD11.6 million, significantly lower than USD47.7 million for 2011. The higher profit for 2011 was in part due to the high stock of copper concentrates carried forward from 2010 (5,870 dmt) while the profit for 2012 was adversely affected by poor production from January to May 2012 due to bad weather, higher operating costs and treatment/refining charges and a provision of USD4.8 million for royalty payment.

The design of the mine pit was optimized in collaboration with mining consultants in September 2012 and the remaining higher grade reserves (723,000 tonnes at 1.63% Cu, 2.63% Zn, 2.06 g/t Au and 29.9 g/t Ag) are expected to be mined out by December 2013. The remaining smaller mineralized blocks outside the optimized pit plan will be mined in early 2014, if economically feasible.

The feasibility study on mining the dumps and remaining oxide ore for gold at the old Hixbar pit, located about 2 km to the west of the mine is being finalized. It is envisaged that it can support a profitable operation for about 14 months.

The feasibility of reprocessing the mines tailings, containing 0.8 – 1.0 g/t Au, and drilling in prospective targets are in progress. These are aimed at extending the life of mine and enhancing the value of KM Resources, Inc.

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.

During 2012, we contributed RM48.9 million in the form of government taxes and royalties, RM7.0, in environmental management and rehabilitation and RM3.7 million in CSR programme.

OUTLOOK

Given the increased challenges in investing in new tin projects and in the light of our experience in Indonesia we will apply a more cautious and disciplined approach on our future capital investment. We will continue to pursue selective strategic acquisitions and alliances to support and strengthen our core tin smelting and physical marketing activities as and when opportunities arise. We expect a gradual recovery in global economic activities in 2013. Our priority in the current year is to achieve a return to profitability and improved cash flows and resume dividend payment to our shareholders. Our Malaysian smelting and mining operations are expected to remain profitable. With a more rigorous focus on value enhancement throughout our tin supply chain we are cautiously optimistic on our ability to deliver optimum value for our shareholders and other stakeholders.

DATO' SERI MOHD AJIB ANUAR
Group CEO/Executive Director

26 April 2013

VERSATILITY

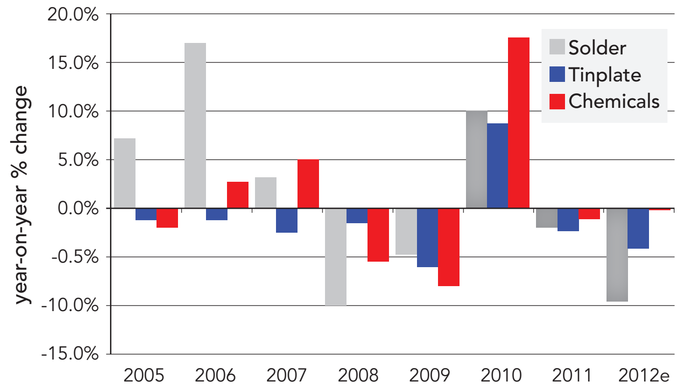
COMMITTED TO ENHANCING OUR ADAPTABILITY IN THE EVER-CHANGING GLOBAL CLIMATE, WE ARE OPTIMISTIC THAT WE WILL RECOVER FROM DIFFICULT TIMES INTACT.

"Thanks to its extremely dense fibres, the bamboo is very flexible and able to bend without breaking."

Tin Market Review And Outlook

Current tin prices are five times higher than a decade ago, as a result of higher demand, ongoing supply problems and increased involvement in commodity markets by investment funds looking to diversify their asset portfolios. Looking forward over the next few years, prices are expected to remain well above long-term historical averages and could rise significantly from current levels. While demand growth is uncertain, the key feature of the market outlook is that supply from existing producers is unsustainable and very few new mine projects are likely to start up for at least 2-3 years. Currently there are no major new mines under construction or that have even secured financing to go ahead. While there is a small pipeline of projects at feasibility study stage, these are mostly based on low-grade or technically challenging ore deposits which require higher tin prices (or substantial revenues from co-products) to be viable.

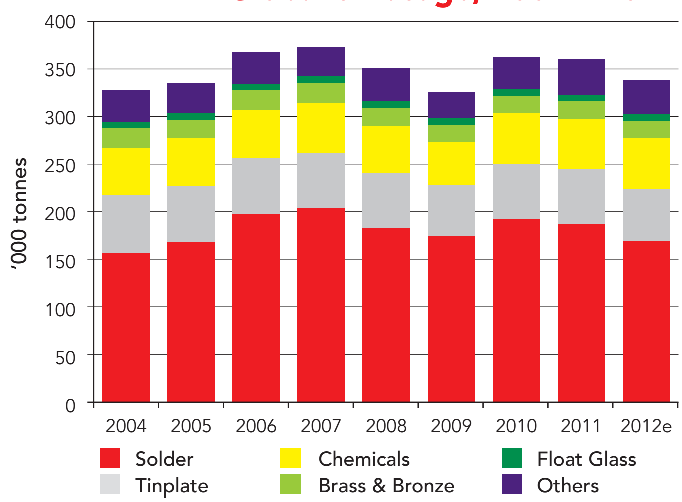
Growth rates in main tin uses to 2012



PRICE TRENDS

The annual average LME cash tin settlement price in 2012 was USD21,093/tonne, down by 19% compared to 2011. However over the course of the year prices recovered, with a clear uptrend from August onwards. Tin was the strongest performer of the LME metals over the course of last year, despite the fact that it is the only one of them to have experienced a fall in demand. The recovery has been due to investment fund buying and continuing supply constraints. 2013 started strongly for most asset markets, as a compromise temporary agreement was reached by US legislators on taxes and spending cuts and economic indicators for major economies, especially the USA and China gave more positive readings. As business confidence improved, LME tin prices continued to strengthen to around USD25,000/tonne.

Global tin usage, 2004 – 2012

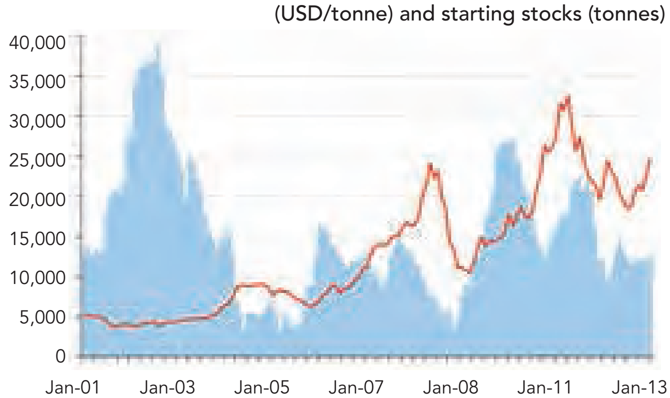


WEAKNESS IN KEY MARKETS

World refined tin usage grew very strongly from 2000 to 2007, as a result of rapid growth in China and other emerging economies and the switch to high tin content lead-free alloys in the electronics solder market. However in the last five years consumption has been hit by several negative factors, including the global financial crisis of 2008-2009, continuing recessions in some of the major mature economies and miniaturisation and technological change in the electronics sector. The global electronics industry experienced weak sales in 2012, despite tablet and smartphone shipments continuing to expand. However these products are to some extent substituting for conventional computers, but use much smaller circuit boards and quantities of solder. In addition sales of domestic electrical appliances in China were weak after the withdrawal of government-backed sales incentive schemes at the end of 2011. Tin use in solder, which still accounts for more than a half of total refined tin consumption, has fallen in the last two years.

LME tin prices and stocks

Monthly average LME 3-months prices (USD/tonne) and starting stocks (tonnes)



Looking forward, growth rates in the electronic industry are forecast to improve over the next few years and tin use in other major applications like tinplate and chemicals should be stable or increasing. In addition increased demand in new applications in markets such as lithium ion batteries, stainless and construction steels and fuel catalysts should help underpin continuing world demand growth at close to the long-term historical trend rate of some 2% per year.

TOP TIN COMPANIES AND COUNTRIES

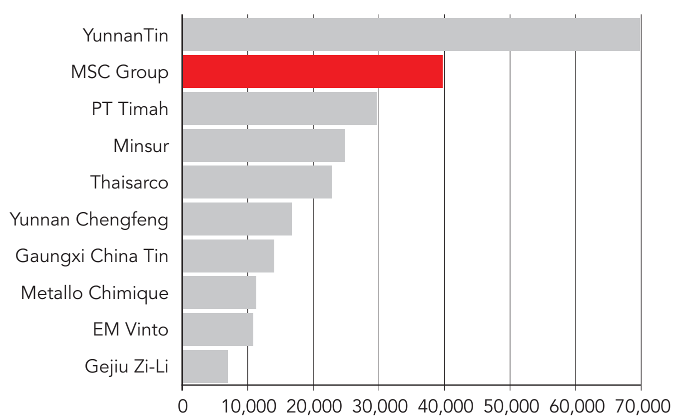
The chart and table on the next page show refined tin production by the ten largest companies. The MSC Group remains in second position for a third successive year, despite the reduction and eventual suspension of production at PT

Tin Market Review And Outlook *(cont'd)*

Koba Tin. The ranking of the top five companies is the same as previously, although the gap between the number one company, Yunnan Tin (YTC), and the others has widened. The growth in YTC's production is part of a continuing trend, underpinned by consolidation of ownership of tin production in China and in line with government policy. It should be noted that around 10% of YTC's reported output in 2012 was accounted for by offshore toll smelting and refining, including in Malaysia.

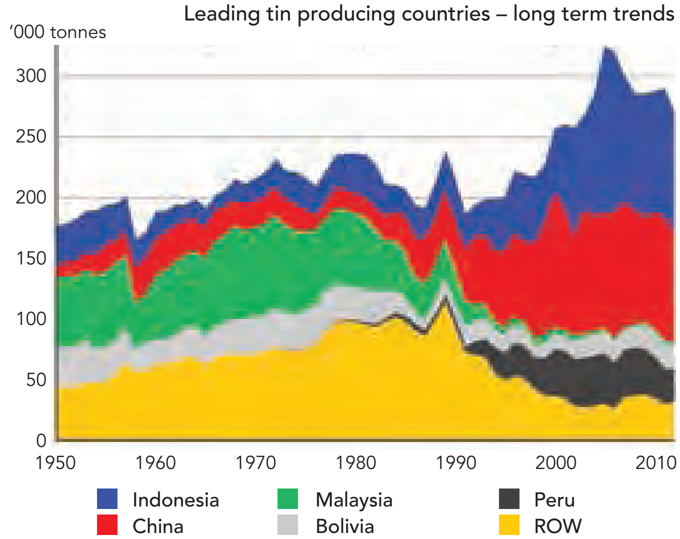
Production of the two integrated producers, PT Timah and Minsur, has been in decline in recent years. In the case of PT Timah this has mainly reflected loss of market share within Indonesia to the private smelters which now purchase the majority of Indonesian small-scale mine production. In addition a high proportion of PT Timah's raw material feed has come from offshore mining contractors and small-scale units operating on its inland mining leases, but operations are now being re-organised to comply with new mining regulations. Meanwhile the depletion of reserves and declining ore grades at Minsur's San Rafael mine has resulted in a steady decline in production there. Production at Thaisarco, which is now mainly a custom refiner of Indonesian crude tin, also fell last year.

Top 10 refined tin producers in 2012



World mine supply – major countries

Leading tin producing countries – long term trends



Looking at mine production on a country basis, supply is highly concentrated in China and Indonesia. However Chinese mine production peaked in 2000 and is now well below domestic demand, resulting in increasing import requirements for concentrates or crude tin. There are no major new mine projects, while small Chinese mines and processors are being more strictly controlled. Indonesian production peaked in 2005 and is largely dependent on thousands of small mining operations who mainly sell ore to over 30 private smelters established in the last decade. The environmental problems and poor health and safety record of the small mines are now being subject to increasing international scrutiny (including from customers), while new export regulations coming into force this year may constrain the activities of the independent smelters. Elsewhere reserve exhaustion at Minsur's mine in Peru appears to be only a few years away and the expansions of state operations in Bolivia have been delayed. The main growth in mine production in the next few years is likely to come from Southeast Asia

Leading Tin Companies
(Production, tonnes refined tin)

Company	2008	2009	2010	2011	2012	% change
Yunnan Tin (China)	58,371	55,898	59,180	56,174	69,760	24.2%
Malaysia Smelting Corporation	31,630	36,407	38,737	40,267	37,792	-6.1%
PT Koba Tin (Indonesia)	7,109	7,455	6,644	6,332	1,901	-70.0%
MSC Group	**38,739**	**43,862**	**45,381**	**46,599**	**39,693**	**-14.8%**
PT Timah (Indonesia)	49,029	45,086	40,413	38,132	29,600	-22.4%
Minsur (Peru)	37,960	33,920	36,052	30,205	25,399	-15.9%
Thaisarco (Thailand)	21,731	19,300	23,505	23,864	22,847	-4.2%
Yunnan Chengfeng (China)	13,500	14,947	14,155	15,430	16,600	7.6%
Guangxi China Tin (China)	12,037	10,500	14,300	15,517	14,034	-9.6%
Metallo Chimique (Belgium)	9,228	8,690	9,945	10,007	11,350	13.4%
EM Vinto (Bolivia)	9,545	11,801	11,580	10,960	10,800	-1.5%
Gejiu Zi-Li (China)	7,000	5,600	9,000	8,600	7,000	-18.6%

Data: ITRI.

World Production and Consumption of Refined Tin ('000 tonnes)

	2009	2010	2011	2012	Forecast 2013
Production					
China	140.6	155.0	160.0	152.0	160.0
Indonesia	64.5	62.1	60.4	52.3	55.0
Malaysia	36.4	38.7	40.3	37.8	34.0
Thailand	19.3	23.5	23.9	22.9	19.0
Bolivia	15.0	15.0	14.5	14.1	15.0
Brazil	10.4	6.5	7.3	9.5	12.0
Peru	33.9	36.1	30.2	25.4	24.0
Belgium	8.7	9.9	10.0	11.3	13.0
Russia	1.0	1.5	1.2	0.9	1.0
Other	5.8	6.4	8.3	8.4	8.5
Total World	**335.7**	**354.7**	**356.1**	**334.6**	**341.5**
Consumption					
China	132.4	149.1	153.8	146.0	151.2
Japan	27.2	31.5	29.7	27.3	27.5
Other Asia	60.2	64.2	59.4	60.0	62.0
USA	29.8	31.0	31.5	30.0	31.0
Other Americas	16.8	20.5	20.0	17.3	18.0
Europe	55.8	62.2	62.0	54.3	53.0
Others	2.9	3.5	3.8	3.2	3.5
Total World	**325.1**	**362.0**	**360.2**	**338.1**	**346.2**

(Malaysia and perhaps Myanmar), North and Central Africa, Australia and Brazil.

THE MARKET OUTLOOK

Tin supply is forecast to be in deficit for the fourth year in a row in 2013, but the predicted shortfall of some 4,000 tonnes is small in relation to global supply and demand totals which are quite uncertain. It is also believed that there has been a large accumulation of unreported stocks in China over the last year, although this has probably been offset by a depletion of pipeline stocks elsewhere in the world. The two main uncertainties in the supply/demand forecast are global demand growth and the trend in Indonesian supplies. The former in turn depends mainly on the health of the world economy, while the latter is subject to the strong opposing forces of regulation and sustainability issues versus the stimulus to small-scale production from higher prices. The most likely outcome of all these factors is that prices will probably remain fairly close to current levels this year. Further ahead, the supply-side issues described here are likely to result in higher prices in the medium-term.

World Supply/Demand Balances in Refined Tin ('000 tonnes)

	2009	2010	2011	2012	Forecast 2013
World					
World Refined Production	335.7	354.7	356.1	334.6	341.5
DLA Sales	0.0	0.0	0.0	0.0	0.5
World Refined Consumption	325.1	362.0	360.2	338.1	346.2
Global Market Balance	**10.6**	**-7.3**	**-4.1**	**-3.5**	**-4.2**
Reported stocks					
LME	26.8	16.4	12.1	12.8	10.0
Producers	7.7	7.8	8.2	8.0	7.0
Consumer/other	11.6	11.1	9.6	8.0	8.0
Total	**46.1**	**35.3**	**29.9**	**28.8**	**25.0**
World Stock Ratio					
(weeks consumption)	*7.4*	*5.1*	*4.3*	*4.4*	*3.8*

SUSTAINABILITY

WE GO ABOUT OUR OPERATIONS RESPONSIBLY, NOT MERELY TO ENHANCE PRESENT DAY COMMUNITIES, BUT ALSO TO LEAVE THE WORLD A BETTER PLACE FOR FUTURE GENERATIONS.

"The fastest growing plant, the bamboo is believed to be able to reverse the effects of global warming, provide a renewable source of sustenance and building materials, and prevent erosion."

Corporate Social Responsibility

Business affects all areas of life in society. How companies act has an enormous influence not just on the prospects of the individual, but also on the ability of society as a whole to realize its potential and shape a brighter future. Companies like MSC are a part of society and their conduct must address the totality of challenges with which society finds itself confronted.

Today expectations of company management are much higher than they were 10 or 20 years ago. Increasingly, expectations are growing as the public at large and the financial markets want to know not just what a company does with its profits, but also how it earns them. Customers and consumers, investors, employees, the authorities, business partners, non-governmental organizations and other stakeholders now demand that companies take responsibility for the consequences of their actions.

Mindful of these changes and recognising that the future belong to those companies that contribute actively to ethical and sustainable business leadership, MSC Group has taken measures to incorporate corporate social responsibilities into our business activities on a voluntary basis, and embrace our responsibilities to society and environment. Embracing corporate social responsibility does not necessarily entail new or additional duties for us, as it essentially just builds on existing responsible business practices that we have already put in place. We believe that not only would integrating corporate social responsibility boost acceptance of our company's operations and enhance our reputation, but it could also help to open up fresh market opportunities (eg conflict free minerals in Democratic Republic of Congo) as well as strengthen our innovative and competitive edge.

In a nutshell, corporate social responsibility is just the balanced integration of social and environment considerations into business decisions and operations. Specifically for the mining industry, progress within the three dimensions of sustainable development (economic, environmental and social) could be achieved through – economic development – investment of generated revenues to ensure the future development and long term livelihood of the communities; environmental protection – minimizing the environmental impact of natural resource exploitation and land rehabilitated and disruption to communities, maintenance of stakeholder dialogue and transparency of operation. And for MSC group, corporate social responsibility is the manifestation of a move towards greater sustainability in the industry, ie. the practical implementation of the goals of sustainability.

LOCAL COMMUNITIES

Communities are key stakeholders for all mining companies, and therefore a strong focus for our corporate social responsibility initiatives. Mining has a huge impact on local communities; positive effects include the creation of new communities and wealth, income from export revenues and royalties, technology transfer, skilled employment and training for local populations and improvements in infrastructure such as roads, schools and health clinics.

At Rahman Hydraulic Tin (RHT), a commitment was made by the mine to provide approximately 60,000 cu metres of suitable earth material from the mining property for use as back-filling material at a Pengkalan Hulu District Council's low cost housing scheme which is located some 2 km from the excavation site and haulage of the earth material involves travelling on a public road. Approvals on the usage of the public road have been secured from the various authorities and physical works are expected to commence in March 2013.

This contribution in kind is in addition to the continuing tradition of providing contributions to educational, social and religious functions at the local and district levels.

MSC has also implemented corporate social responsibility initiatives that use sports as a platform for social development. Sport has proven to be an effective vehicle for influencing society in general and in particular communities through positive social contributions. Besides creating health awareness, sport can promote psychological wellbeing, reduce stress, improve physical development and strengthen communities. Corporate social responsibility can be exhibited through sport via many channels which include sponsorships, donations or employee volunteering.

Last year, we had a staff representing MSC Group in the Thailand Princess Cup Archery 2012 which was held in Bangkok, Thailand in June. We are proud to share that he was placed second overall against other countries that participated.

HUMAN RESOURCES

MSC Group strives to foster a work culture that empowers employees to work for positive change. While we provide engaging and challenging employment that enables our employees to make significant contributions to the business, we also recognize that rapid changes in the marketplace require a skilled, knowledgeable workforce with employees who are adaptive, flexible, and focused on the future. Therefore, to help our employees acquire what they need to advance their careers, we develop employees' skills through training initiatives and contribute to their personal growth with innovative learning opportunities.

As MSC Group operations expand globally, we have been seeking to increase the local hiring in countries which we operate. Enabling our local employees to work to their full potential requires us to understand and respect the different environment and culture of each country, in order to develop the skills and abilities required for each job type and make MSC Group an attractive place to work at. We believe that a strong employer brand aligned with employee values and concerns is becoming recognized as one of the best way of retaining talent with employees proud to work for a business that is highly regarded.

Our mine at RHT is an excellent training centre in all fields connected to open pit tin mining. We continue with our policy of providing industrial training for undergraduates from local universities in disciplines related to mining and geology, and further sponsor our employees for training courses organised by professional bodies and government institutions on technical subjects such as handling and usage of explosives and acid mine drainage.

RHT also recruits technicians and graduates in the fields of geology, mineral resource engineering, electrical and mechanical engineering from local universities as part of its own succession planning and for human capital in new ventures.

SAFETY AND HEALTH

Promoting occupational health and safety is an essential aspect of maintaining a sustainable workplace because reducing fatalities, injuries and occupational diseases has proven financial and social benefits. We recognize it is our responsibility to provide proper policies, processes, and support programs to minimize the risk of employee illness or injury in the workplace. We are also mindful that the mental and physical well-being of our employees and the maintenance of health and safety at the workplace is essential to enable our employees to exhibit their full capabilities. Therefore, it is the Group's priority to promote safety and health in all business processes and build a safe and conducive work environment.

Our mining operation at RHT continues to comply with all laws relating to safety and health of its and its contractors' employees and the laws include the Mineral Development Act 1994, Explosives Act 1957, Occupational Safety and Health Act 1994 (OSHA) and Factories and Machinery Act 1967. Consequently, there were no major safety incidents involving the Mine's own employees and that of contractors and no incidents inflicting major damage to property within the mining leases and in surrounding areas.

ENVIRONMENTAL MANAGEMENT

As a mining company, we are aware that our activities have an environmental impact. Our job is to constantly challenge ourselves to minimize, eliminate and even offset those impacts by operating with rigorous environment frameworks. MSC Group takes its environmental responsibilities very seriously and has invested significant resources to responsibly plan all stages of our operations to mitigate any potential impacts of its activities.

At RHT, water discharged from the processing plant continues to be recycled for reuse at the ore processing plants and, further, the recycled water is treated with hydrated lime to improve its chemical quality. Loss of water in the tailing ponds is replenished by water pumped from a nearby stream and by rain water which is stored in reservoirs that form an integral part of the tailing areas. Under the closed loop system, there is no discharge of mine effluent into the surroundings. Further, seepages and surface run-off are treated at the seepage points or in the streams to ensure that the stream exiting the mining lease meets current regulatory requirements.

In collaboration with Toyota Tsusho (Malaysia) Sdn Bhd, RHT is conducting an experimental planting programme of Jatropha trees at its mining leases west of the Grik to Pengkalan Hulu Federal road covering a total of about 4 hectares to accommodate approximately 10,000 Jatropha trees. The project will determine the technical feasibility of planting Jatropha trees on ex-mining land and assess the yield of Jatropha fruits from the plants. If the experiment at RHT is successful, other ex-mining land could be used in future for more productive use by planting with Jatropha trees. The seeds from the Jatropha fruits are planned to be used by Toyota Tsusho as a feeder to their biofuel (biodiesel) production plants.

The collaborative experimental rehabilitation programme between RHT and the Forest Research Institute of Malaysia (FRIM) is continuing, involving the planting of trees on the site of a waste dump of 2.3 hectares and at a tailing area of about 1.3 hectares where six plots at the site are subjected to various planting conditions. Some of the plots have shown good growth of trees. The experimental rehabilitation programme and strategic alliance with FRIM will significantly contribute to the success of future full-scale rehabilitation at RHT mine.

As part of its commitment towards sustainability and environmental protection, RHT, in collaboration with the Malaysian Chamber of Mines and the International Tin Research Institute is starting an experiment on the use of tin alloy as a catalyst for reduction of fuel consumption and exhaust emission for its diesel vehicle fleets.

Statement on Corporate Governance

The Board of Directors (the "Board") of Malaysia Smelting Corporation Berhad recognises the importance of maintaining high standards of corporate governance in managing its business affairs so as to build a sustainable business capable of enhancing shareholder value.

The Board upholds the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2012 ("the MCCG 2012" or "the Code"). This statement sets out how the Company has applied the 8 Principles of the MCCG 2012 during the financial year within Malaysia Smelting Corporation Berhad ("the Company") and its subsidiary companies ("the Group") following the release of the MCCG 2012 by the Securities Commission in late March 2012. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof, is included in this statement.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board acknowledges its key role in setting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- to review and adopt a strategic plan for the Company and its subsidiaries to ensure sustainability of its business as the Board brings objectivity and breadth of judgment;
- to oversee the conduct of the Company's and the subsidiaries' businesses and evaluate whether the businesses are being properly managed;
- to identify principal business risks and ensure the implementation of appropriate internal controls and mitigating measures to manage these risks;
- to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of Senior Management;
- to develop and implement a shareholder communications policy for the Company; and
- to review the adequacy and the integrity of the Group's and Company's internal control system and management information system.

To ensure the proper discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Remuneration Committee and Nominating Committee and further entrusted to them, specific responsibilities to oversee the Group's affairs and authority to act on the Board's behalf in accordance with their respective terms of reference. The Chairmen of the relevant Board Committees also report to the Board on key issues deliberated at their respective meetings. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

The roles and functions of the Board, which includes the Executive Director and Non-Executive Directors, as well as roles delegated to Management, are clearly delineated in the Board Charter. This is taken into account through a formal schedule of matters reserved for the Board which includes setting the overall group strategy and direction, the acquisition and divestment policy, approving major capital expenditure, consideration of significant financial matters and monitoring of financial and operating performance of the Group. Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. Such demarcation of roles is clearly set out in the Board Charter which complements and reinforces the supervisory role of the Board.

The Board is in the process of updating its Board Charter according to the latest developments in the Group as well as regulatory requirements and is currently in the process of uploading its salient features on the Company website at www.msmelt.com.

Code of Ethics and Whistle-blowing Policy

The Board has also formalised in writing a Code of Ethics in early 2013, setting out the standards of ethics and conduct expected from its Directors and employees to enhance the standards of corporate governance and corporate behaviour.

The Company has also put in place a whistle-blowing policy which allows the whistle-blower to raise concerns about actual or potential corporate fraud or breach of ethics involving employees, Senior Management or Directors in the Group. Whistle-blowing reports are addressed to Designated Officers of the Company, its Chief Operating Officer or the Senior Independent Director following the form and specific conditions as prescribed under the policy. The policy also affirms that the identity of the whistle-blower will be kept confidential and protection will be accorded to the whistle-blower against any form of reprisal or retribution.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (cont'd)

Code of Ethics and Whistle-blowing Policy (cont'd)

The Board recognises the importance of adhering to the Code of Ethics by all personnel in the Group and has the overall responsibility of overseeing the execution of the whistle-blowing policy.

A summary of the Code of Ethics has been uploaded to the Company's website at www.msmelt.com.

Sustainability of Business

The Board is mindful of the importance of business sustainability and has incorporated the Corporate Sustainability Policy into its corporate strategy, considering its impacts on environmental, social and governance aspects. Additionally, the Company's activities on corporate social responsibilities are disclosed on pages 30 to 32 of this Annual Report.

Supply of, and access to, Information

The Board has full and independent access to Management, the Company Secretary, Auditors and other consultants for information needed to effectively carry out its duties.

Management provides the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments.

Directors also have unrestricted access to the advice and services of the Company Secretary. The Board is regularly updated and advised by a Company Secretary who is qualified, experienced and competent on new statutory and regulatory requirements, and their resultant implications to the Company and Directors in relation to the duties and responsibilities of the Board. The Company Secretary, who oversees adherence to board policies and procedures, advises the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committees meetings to ensure that the meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The appointment and removal of the Company Secretary, if any, is a matter for the Board, as a whole, to decide.

Senior Management and external parties such as the Auditors, solicitors and consultants are invited to attend Board meetings when there is a need for additional insights and professional views, advice and explanations on specific items on the meeting agenda. Independent professional advice may be sought in the furtherance of the Directors' duties and responsibilities at the Company's expense, if considered necessary, in accordance with established procedures set out in the Board Charter.

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for informed decision making and effective discharge of Board's responsibilities. Procedures have been established to allow sufficient time for Directors to peruse the Board and Board Committees' papers, to give effect to Board decisions and to deal with matters arising from such meetings.

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD

At the date of this Statement, the Board consists of six (6) members, comprising one (1) Executive Director and five (5) Non-Executive Directors, three (3) of whom are Independent. This composition fulfills the requirements set out under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia Listing Requirements"), which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be independent. The profile of each Director is set out on pages 11 to 13 of this Annual Report.

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (cont'd)

Nominating Committee – Selection and Assessment of Directors

As at the date of this Statement, the members of the Nominating Committee, which comprise wholly of Non-Executive Directors, with a majority being independent are as follows:

Director	Number of meetings attended
Mr Chew Kwee San (Chairman of the Committee) *Non-Independent Non-Executive Director*	2/2
En Razman Ariffin *Senior Independent Non-Executive Director*	2/2
Mr Norman Ip Ka Cheung *Independent Non-Executive Director* (Appointed on 23 February 2012)	2/2

The Nominating Committee is empowered by the Board through clearly defined terms of reference to oversee the assessment of Directors, nominate to the Board the candidature of Directors, appointing Directors to Board Committees and to review the Board's succession plans and training programmes.

Appointment and annual assessment processes

In discharging its responsibilities, the Nominating Committee has developed certain criteria for use in the recruitment and annual assessment of Directors. The suitability of candidates is evaluated for recommendation to the Board and the Nominating Committee takes into consideration, inter-alia, the competency, commitment (including time commitment), contribution and performance of the candidates, including, where appropriate, the criteria on assessing the independence of candidates' appointment as Independent Non-Executive Directors.

Following the appointment of new Directors, the Committee ensures that an induction programme is arranged for, which includes establishing rapport with other Directors, furnishing the Director with necessary information for a better understanding of the business, e.g. board minutes and management reports, the Board Charter and arranging visits to key sites.

The Committee reviews annually the required mix of skills and experience for Directors and assesses annually the contributions of each individual Director and the effectiveness of the Board Committees and the Board as a whole. Furthermore, the Nominating Committee reviews the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board. Insofar as board diversity is concerned, the Board does not have a specific policy on setting targets for women candidates. The evaluation of the suitability of candidates is solely based on the candidate's competency, character, time commitment, integrity and experience in meeting the needs of the Company. The evaluation process is led by the Senior Independent Director who is supported by the Company Secretary. Directors individually complete a questionnaire regarding the effectiveness of the Board as a whole and own performance. The assessment and comments by all Directors are summarised and discussed at the Nominating Committee meeting and reported at a Board Meeting by the Nominating Committee Chairperson. The results of the assessment would also be used to indicate potential trainings to be provided in the future for enhancement to the Directors' capabilities.

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 with Section 129(6) of the Companies Act, 1965.

During the financial year under review, two (2) Committee meetings were held and attended by all its members. During the meeting held on 26 February 2013, the Nominating Committee reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors; the contribution of each individual Director; effectiveness of the Board, as a whole, and the Board Committees and also the retirement of Directors by rotation who were eligible for re-election.

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

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (cont'd)

Re-election (cont'd)

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

Directors' Training

The Board, via the Nominating Committee, ensures that 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 organizational 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 completed the Mandatory Accreditation Programme under the auspices of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). During the financial year under review, the Directors identified and attended appropriate briefings, seminars, conferences and courses to keep abreast of changes in legislations and regulations affecting the Group.

The programmes attended by the Directors during the financial year ended 31 December 2012 include the following:

Directors	Details of Programme
Mr Norman Ip Ka Cheung	• Lessons Learned from CEO and C-Suite Succession • Where Communications and Law Connect • Effective Board Leadership • Effective Board • Financial Reporting on Revised Corporate Governance • ITRI International Tin Conference, Cape Town, South Africa
Dato' Seri Mohd Ajib Anuar	• African Mining INDABA Conference, Capetown, South Africa • ITRI International Tin Conference - Capetown, South Africa • International Symposium on Rare Earth- Renaissance Hotel, Kuala Lumpur • Mines & Money London Conference, London
En Razman Ariffin	• CAEs Forum: Current Updates on Governance • Raising the Bar: Malaysian Code of Corporate Governance 2012 • Asian Investors Corporate Governance Conference 2012- Role of Corporate Governance in Restructuring Economies • Duties of the Audit Committee
Mr Chew Kwee San	• Resource Nationalism in Indonesia: A Long Term Trend • LCD Module 3: Risk Management Essential • Indonesian Investment Summit 2012 • ITRI International Tin Conference, Cape Town, South Africa • StanChart Implications of European Debt Situation • Module: SID- Russell Reynolds: Lessons Learned from CEO and C-Suite Succession
Mr Mark Christopher Greaves	• LCD Module 1- Listed Company Director Essentials • Annual Conference 2012 • Conference on Corporate Sustainability: Environment, Social and Governance (Singapore Board and CEO Summit 2012
Dato' Ng Jui Sia	• Directors' Continuing Education Programme 2012 by Guinness Anchor Berhad and Fraser & Neave Holdings Berhad • Familiarisation visit to MSC Butterworth smelting plant and RHT tin mine • Seminar on Risk Management and Internal Control • Personal Data Protection Act • Change of Accounting Standard Compliance

The Company Secretary circulates the relevant guidelines on statutory and regulatory requirements as and when there are changes for the Board's reference. The External Auditor also briefs the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (cont'd)

Remuneration Committee – Directors' Remuneration

The Remuneration Committee is responsible for recommending the remuneration framework and packages for the Executive Director and Senior Management staff to the Board. Directors' remuneration are aligned with the business strategy and long-term objectives of the Company, so as to ensure that rewards are linked to their performance and contributions to the Group's growth and profitability in order to attract, retain and motivate the Company's Directors.

During the financial year under review, the Remuneration Committee comprised the following members:

Director	Number of meetings attended
Mr Norman Ip Ka Cheung (Chairman of the Committee) *Independent Non-Executive Director*	2/2
En Razman Ariffin *Senior Independent Non-Executive Director*	2/2
Dato' Seri Mohd Ajib Anuar *Executive Director*	2/2

The Remuneration Committee also ensures that the level of remuneration of the Executive Director is linked to the level of responsibilities undertaken and his 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 determination of remuneration of Non-Executive Directors is a matter for the Board, as a whole to decide, with individual Directors abstaining from the discussion of his/her own remuneration. In deciding on the appropriate level of fees for each Non-Executive Director, the Board takes into consideration, the experience, the level of responsibilities undertaken, time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers as well as the number of membership assumed on Board Committees. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies is also considered when determining the remuneration packages for Directors.

The Company's Articles of Association provide that any payment of Directors' fees should be approved at a general meeting. During the financial year under review, two (2) Committee meetings were held and attended by all its members. The remuneration of both the Executive Director and Non-Executive Directors of the Company are tabled for shareholders' approval at the Company's Annual General Meeting.

Details of remuneration of Directors of the Company from the Group for the financial year ended 31 December 2012 are as follows:

	Executive RM	Non-Executive RM
Fees	30,000.00	435,000.00
Basic salary and other emoluments	1,177,980.00	–
Benefits-in-kind	126,262.00	–
Total	1,334,242.00	435,000.00

The number of Directors and their remuneration categorized within the respective bands are as follows:

	Executive	Non-Executive
RM50,000 and below	–	3
RM50,001 – RM100,000	–	4
RM1.3 million – RM1.35 million	1	-
Total		

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

There is clear division of responsibilities between the Chairman and the Group Chief Executive Officer ("GCEO") to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making. The Chairman is an Independent Non-Executive Director who leads the Board to ensure the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. The GCEO is an Executive Director of the Company and is tasked to manage the business and operations of the Company and to implement the Group's strategic plans, policies and decisions adopted by the Board.

The Board recognises the importance of independence and objectivity in the decision making process. In line with the MCCG 2012 and to enable a balance of power and authority in the Board, the Board Charter was revised during the year such that the Board should comprise a majority of Independent Directors in the event the Chairman of the Board is a Non-Independent Non-Executive Director.

The Independent Non-Executive Directors bring objective and independent views, advice and judgment on interests, not only of the Group, but also of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors upon their appointment and upon self disclosure of a change to their status as and when new interests/relationships developed. The criteria applied in the assessments have been developed by the Nominating Committee and were adapted from definitions from Paragraph 1.01 of the Bursa Malaysia Listing Requirements, the Companies Act 1965 and the MCCG 2012. The Board has since undertaken steps to formalise its Directors' independence policy in early 2013, setting out the requirement for the Board to undertake an assessment of its independent directors annually to align itself with the MCCG 2012.

The Board Charter was enhanced following the requirement set in the MCCG 2012 restricting the tenure of an Independent Director to a cumulative term of nine (9) years. At present, no Director of the Company has exceeded the nine (9) year tenure. However, in an event where the Independent Director wishes to continue serving the Board after having reached the 9-year limit, the Independent Director may be subjected to re-designation as a Non-Independent Non-Executive Director. Further, if the Board intends to retain the Director as Independent after the latter has exceeded the tenure, the Board shall justify the decision and seek shareholders' approval at a general meeting. In attempting to provide a justification, the Board shall re-assess the candidate's suitability to continue as an Independent Non-Executive Director.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

The Board meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committees' papers are prepared by Management to provide relevant facts and analysis for the convenience of Directors. The agenda, relevant reports and Board papers are furnished to the Directors and Board Committee members in advance to allow for sufficient time for Directors to promote effective discussions and decision-making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee informs the Directors at each Board meeting of any salient matters noted which require the Board's notice or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

It is the policy of the Company for Directors to devote sufficient time and effort in carrying out their responsibilities. Among other ways of ensuring such are obtaining the Director's commitment upon appointment, mandating the Directors to submit an update on their other directorships and shareholdings in the Group every quarter and requiring all Directors to attend at least half of the meetings held for the financial year under review.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (cont'd)

During the financial year under review, five (5) Board meetings were held and details of Directors' attendance are as follows:

Directors	Number of meetings attended
Mr Norman Ip Ka Cheung (Chairman)	5/5
Dato' Seri Mohd Ajib Anuar	5/5
En Razman Ariffin	5/5
Mr Chew Kwee San	5/5
Mr Mark Christopher Greaves	5/5
Dato' Ng Jui Sia *(Appointed on 19 September 2012)*	1/1
Mr Yeo Eng Kwang *(Resigned on 4 May 2012)*	2/2
Mr Lim Sit Chen Lam Pak Ng *(Retired on 4 May 2012)*	2/2
Mdm Ong Lee Keang, Maureen @ Mrs Maureen Leong *(Resigned on 18 September 2012)*	4/4

The Board is satisfied with the level of time commitment given by the Directors in fulfilling their roles and responsibilities.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

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. This is primarily communicated through the annual financial statements and quarterly announcement of results to Bursa Malaysia and the Singapore Exchange Securities Trading Limited ("SGX-ST"). Accordingly, it is also addressed in the Chairman's statement and Group Chief Executive Officer's Report in the Annual Report.

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. This shall include their operation results and cash flows for the year then ended as well. In preparing the financial statements, the Directors have ensured that applicable approved Financial Reporting Standards for entities other than private entities issued by the Malaysian Accounting Standards Board 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 have made reasonable and prudent judgments and estimates alike.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting. The Audit Committee, comprising wholly Independent and Non-Executive Directors, with the Senior Independent Director as the Committee Chairman, ensures that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. The composition of the Audit Committee, including its roles and responsibilities, are set out on pages 44 to 46 of this Annual Report.

The Audit Committee members meet on a quarterly basis to review the integrity and reliability of the Group's financial statements in the presence of both external and internal auditors, prior to recommending them for the Board's approval and issuance to stakeholders. Such financial statements comprise the quarterly financial report announced to Bursa Malaysia and the annual statutory financial statements. During the year, the Audit Committee met the external auditors separately twice, without the presence of the Management, in order to have unfettered access to any information it may require to fulfill its responsibilities.

The Board, via the Audit Committee, has formalised policies and procedures to assess the suitability and independence of the external auditors in early 2013. Such policies and procedures entail the provision of written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The policies also set out the types of non-audit services that may be provided by the external auditors, including the thresholds and procedures that need to be observed should the external auditors be contracted to provide the non-audit services.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

Recognising the importance of risk management, the Board has in past years formalised a structured Enterprise Risk Management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

In line with the MCCG 2012 and the Bursa Malaysia Listing Requirements, the Board has established an independent internal audit function which is led by the Group General Manager, Internal Audit who reports directly to the Audit Committee. Details of the Company's internal control system and its framework including the scope of work during the financial year under review is provided in the Internal Control Statement of the Group set out on pages 47 to 49 of this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the need for comprehensive, timely and accurate disclosures of all material Company information to the public so as to ensure a credible and responsible market in which participants conduct themselves with the highest standards of due diligence and investors have access to timely and accurate information to facilitate the evaluation of securities.

During the financial year under review, the Board has undertaken means of formalising its existing internal corporate disclosure policies and procedures not only to comply with the disclosure requirements as stipulated in the Bursa Malaysia Listing Requirements, but also in setting out the protocols for disclosing material information to shareholders and stakeholders.

To ensure thorough public dissemination, the Company has leveraged on information technology including making announcements to Bursa Malaysia and SGX-ST online and establishing a dedicated section for corporate information on the Company's website where information on the Company's announcements, financial information, stock information, and the Company's quarterly and annual reports may be accessed.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Shareholder participation at general meeting

The Annual General Meeting ("AGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's annual report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating on resolutions being proposed or on the Group's operations in general. During the last AGM, a question and answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

The Company despatches its notice of AGM to shareholders at least twenty one (21) days before the date of the meeting to enable shareholders to go through the annual report and papers supporting the resolutions proposed. Shareholders are invited to ask questions regarding the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All the resolutions set out in the Notice of the 33rd AGM were put to vote by show of hands and were duly passed. The outcome of the AGM was announced to Bursa on the same day. Going forward, the Board shall ensure that poll voting is conducted for any related party transactions that fall under the definition provided in Paragraph 10.08 of the Bursa Malaysia Listing Requirements. The Board may also consider poll voting for other substantive resolutions, being resolutions for which circulars have been issued to shareholders as well as disclosing detailed results showing the number of votes cast for and against each resolution.

Communication and engagement with shareholders

The Company recognises the importance of being transparent and 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, financial community and the public generally. The various channels of communications are through the quarterly announcements on financial results to Bursa Malaysia and the SGX-ST, relevant announcements and circulars, when necessary, Annual General Meeting and through the Group's website at www.msmelt.com where shareholders can access corporate information, annual reports, press releases, financial information, company announcements, share prices and social responsibility reporting.

This Statement is issued in accordance with a resolution of the Board dated 26 April 2013.

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 three (3) years' post qualification experience in accounting or finance:
  - has a degree/ masters/ 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, passes away 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, Group General Manager, 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.

3. Quorum and Committee's Procedures (cont'd)

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 Auditors 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:

A. Risk Management

- Review and evaluate the adequacy and effectiveness of risk management system instituted within the Group.

B. Internal Audit

- 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;
- 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;
- Review the Internal Audit Charter, budget and staffing of the Internal Audit function; and
- 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.

5. Responsibilities and duties (cont'd)

C. External Audit

- Recommend the nomination of a person or persons as External Auditors;
- 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 with the External Auditors, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the independence, suitability 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 non-audit services provided to the Company for the financial year, including the nature of the non-audit services, fee levels of the non-audit services - individually and in aggregate relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
- Develop and review for recommendation to the Board, the Company's policy in relation to the provision of non-audit services by the external auditors, which amongst others, takes into consideration:
  – whether the skills and experience of the audit firm makes it a suitable service provider for non-audit services;
  – whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity or independence in the conduct of the audit resulting from non-audit services provided by the external auditors; and
  – the nature of the non-audit services, the related fee levels and the feel levels individually and in aggregate relative to the external audit fees of the Company.

D. Audit Reports

- Review the external and internal audit reports with the External and Internal Auditors to ensure that appropriate and prompt remedial actions are taken by Management on major deficiencies in controls or procedures that are identified; and
- 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;

E. Financial Reporting

- 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 Standards, regulatory and other legal requirements.

F. Related Party Transactions

- 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.

G. Other Matters Delegated by the Board

- Review the Committee's Terms of Reference as conditions dictate;
- 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;
- 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 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;
- Prepare reports, at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities; 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 2012 and as at the date of this report are:

Composition of Audit Committee	
En Razman Ariffin	Chairman, Senior Independent Non-Executive Director
Mr Norman Ip Ka Cheung (Appointed on 8 May 2012)	Independent Non-Executive Director
Dato' Ng Jui Sia (Appointed on 19 September 2012)	Independent Non-Executive Director
Mr Lim Sit Chen Lam Pak Ng (Retired on 4 May 2012)	Independent Non-Executive Director
Mdm Ong Lee Keang, Maureen @ Mrs Maureen Leong (Resigned on 18 September 2012)	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 current Directors is presented on pages 11 to 13 of this Annual Report.

Terms of Reference

The Committee was established on 30 August 1994 to act as a Committee of the Board of Directors, with the terms of reference set out on pages 41 to 43 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 five (5) meetings during the financial year ended 31 December 2012. The details of attendance of each member at the Committee meetings are as follows:

Director	Number of meetings attended
En Razman Ariffin	5/5
Mr Norman Ip Ka Cheung (Appointed on 8 May 2012)	3/3
Dato' Ng Jui Sia (Appointed on 19 September 2012)	1/1
Mr Lim Sit Chen Lam Pak Ng (Retired on 4 May 2012)	2/2
Mdm Ong Lee Keang, Maureen @ Mrs Maureen Leong (Resigned on 18 September 2012)	4/4

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, the Group General Manager, Internal Audit, as well as the Group Chief Executive Officer, Group Chief Financial Officer, Deputy Group CEO/Group Chief Operating Officer, Smelting and 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. Details of trainings attended by each member are set out on page 36 of this Annual Report.

During the financial year, the Committee Chairman continuously engaged with the 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:
  - Scope of work and audit plan for the financial year prior to the commencement of audit fieldwork;
  - The Annual Report and the audited financial statements of the Company and the Group prior to submission to the Board for consideration and approval;
  - 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, suitability, objectivity and effectiveness of the External Auditors and the services provided, including non-audit services. Non-audit fees totalling RM10,000 were paid to the External Auditors during the financial year for the provision of advisory services in respect of the review of the Internal Control Statement;

- 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, recommendations and Management's responses. Discussed with Management and ensured 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 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 Company and 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 Malaysian Accounting Standards Board. Any significant issues resulting from the audit of the financial statements by the External Auditors were deliberated; and

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

Internal Audit Function

The Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities. 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 Committee, is responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.

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

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

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

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

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

The total cost incurred for the Internal Audit function for the financial year ended 31 December 2012 is RM766,900.

Further details of the activities of the Internal Audit function are set out in the Internal Control Statement on pages 47 to 49 of this Annual Report.

Date: 26 April 2013

Internal Control Statement

Introduction

Paragraph 15.26(b) of the Main Market Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad requires the Board of Directors of listed issuers 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 risk management and internal control in the Group and is pleased to provide the following Internal Control Statement ("this Statement"), which outlines the nature and scope of the risk management and internal control systems of the Group during the financial year ended 31 December 2012.

Board's Responsibility

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard its 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 risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance, against material misstatement or loss.

Following the publication of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines") in January 2013, the Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. The Board, through its Audit Committee, regularly reviews the results of this process, including mitigating measures taken by Management, to address areas of key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

The Board has established key policies on the Group's risk management and internal control systems, for the purpose of this Statement. The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of risk management and internal controls in the Group.

Risk Management

The Board fully supports the contents of the Guidelines and also Recommendation 6.1 of the Malaysian Code on Corporate Governance ("MCCG 2012") which recommends the establishment of a sound framework to manage risks.

Management is responsible for identifying, evaluating, monitoring and reporting of risks and internal control as well as providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further independent assurance is provided by the Internal Audit function, which operates across the Group.

The Board believes that maintaining a sound system of risk management 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 establishes the responsibility at different levels, i.e. the Board, Audit Committee and Management;

- Identification of principal risks (present and potential) faced by operating units in the Group and Management's plans to mitigate or manage these risks. For the financial year under review, the Audit Committee, with assistance from the Group Internal Audit function and external consultants, reviewed the Group Risk Profile which was compiled from the review of the risk profiles and risk registers for the respective major business units. 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. The risk responses and internal controls that Management has taken and/or is taking are discussed at Audit Committee meetings;

- 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;

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

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

Risk Management (cont'd)

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

Internal Audit Function

The Group has in place an adequately resourced independent in-house Internal Audit function, which provides assurance to the Audit Committee on the adequacy and effectiveness of risk management, internal control and governance systems.

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

The Audit Committee evaluates the internal audit function to assess its effectiveness in the discharge of its responsibilities. 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.

Further details of activities undertaken by the Internal Audit function are set out in the Audit Committee Report on pages 44 to 46 of this Annual Report.

Internal Control

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

(a) *Lines of Responsibility and Delegation of Authority*

- A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability; and
- The establishment of limits of authority and publication of the Employees' Handbook.

(b) *Written Policies and Procedures*

- The establishment of policies and procedures on health and safety, training and development, equal employment opportunity, human opportunity, staff performance and handling misconduct; and
- The establishment of financial policies and procedures for major subsidiaries, covering core processes like tin trading activities, asset management, purchasing, payment, inventory and payroll.

(c) *Planning, Monitoring and Reporting*

- The core operating units present their annual business plans approved by the respective board of directors to the Board;
- 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;
- Management information, which includes the monthly management reports covering both key financial and operational information, is provided to Senior Management for monitoring of performance against the business plan;
- Management team meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues; and
- The Audit Committee reviews the Group's quarterly financial performance, together with Management, which is subsequently reported to the Board.

Internal Control (cont'd)

(d) Insurance

- Insurance and physical safeguards over major assets are in place to ensure that the assets of the Group are covered against any mishap that may result in material losses to the Group.

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

Commentary on the adequacy and effectiveness of the Group's risk management and internal control system

The Board has received assurance in writing from the Group Chief Executive Officer and the Group Chief Financial Officer that the Group's risk management and internal control system has been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Based on this assurance, the input from relevant assurance providers, as well as its review, the Board is of the view that the Group's risk management and internal control system is adequate and effective enough to meet the Group's needs.

As disclosed in Variance between Audited and Unaudited Results on page 163 of this Annual Report, the Group's loss after taxation and non-controlling interests for the financial year ended 31 December 2012 has deviated significantly from RM61.114 million as reported on 26 February 2013 to RM172.271 million. The deviation was due to the impairment losses and provisions after taxation and non-controlling interests totalling RM111.157 million as the Contract of Work of PT Koba Tin, a 75% owned subsidiary of the Company has expired after 31 March 2013. The Board is of the view that the impairment losses and provisions are necessitated by events and circumstances beyond its control and not due to any inherent weakness in the Group's risk management and internal control system.

Notwithstanding this, the Board and Senior Management remain committed to strengthening the Group's control environment and processes. This is a continuous and on-going process and appropriate action plans will be put in place to enhance the Group's system of risk management and internal control as and when necessary.

Pursuant to paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that caused them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

Date: 26 April 2013

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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 2012.

Principal activities

The principal activities of the Company are investment holding and the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal under the MSC brand name and the sales and delivery of refined tin metal and by-products. The principal activities of the subsidiaries and the associates and jointly controlled entities are set out in Notes 18 and 19 to the financial statements respectively.

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

Results

	Group RM'000	Company RM'000
Loss net of tax	**(238,308)**	**(236,312)**
Loss attributable to:		
Owners of the Company	(172,271)	(236,312)
Non-controlling interests	(66,037)	–
	(238,308)	**(236,312)**

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

Dividends

The amounts of dividends paid by the Company since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011 as reported in the directors' report of that year:	
Final dividend of 18 sen less 25% tax per share on 100,000,000 ordinary shares, paid on 8 June 2012	13,500

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2012.

Share capital

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

Directors

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

Mr. Norman Ip Ka Cheung *	(Chairman)
Dato' Seri Mohd. Ajib Anuar	(Executive Director)
En. Razman Ariffin *	
Mr. Chew Kwee San	
Mr. Mark Christopher Greaves	
Dato' Ng Jui Sia *	(appointed on 19 September 2012)
Mr. Yeo Eng Kwang	(resigned on 4 May 2012)
Mr. Lim Sit Chen Lam Pak Ng	(retired on 4 May 2012)
Madam Ong Lee Keang, Maureen @ Mrs. Maureen Leong	(resigned on 18 September 2012)

* 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, Mr. Norman Ip Ka Cheung and Mr. Mark Christopher Greaves retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-election. In accordance with Article 106 of the Articles of Association of the Company, Dato' Ng Jui Sia retires at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company as disclosed in Note 4 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than as disclosed in Note 36 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 2012	**Bought**	**Sold**	**31 December 2012**
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

Directors' interests (cont'd)

	Number of ordinary shares of RM1 each 1 January 2012	Bought	Sold	31 December 2012
The Company				
Direct interest				
Mr. Norman Ip Ka Cheung	250,000	–	–	250,000
Dato' Seri Mohd. Ajib Anuar	809,000	–	–	809,000
En. Razman Ariffin	67,000	–	–	67,000
Indirect interest				
Dato' Seri 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.

(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.

Other statutory information (cont'd)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant events

Details of significant events are disclosed in Note 40 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 41 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 April 2013.

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

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

We, Norman Ip Ka Cheung and Dato' Seri 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 58 to 159 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 43 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 April 2013.

Norman Ip Ka Cheung

Dato' Seri 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 58 to 160 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 April 2013.

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 2012 of the Group and of the Company, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 58 to 159.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 43 on page 160 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

1. As stated in Note 2.2 to the financial statements, the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the year then ended.

2. 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 Eng Huat
No. 2403/04/15(J)
Chartered Accountant

Penang, Malaysia

Date: 26 April 2013

Income Statements

For the financial year ended 31 December 2012

	Note	Group		Company	
		2012	**2011**	**2012**	**2011**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue					
Tin mining and smelting revenue		**2,328,688**	3,098,551	**2,315,105**	3,091,298
Other items of income					
Dividend income	5	**–**	–	**15,274**	41,410
Interest income	6	**13,044**	12,967	**12,204**	15,143
Other income/(loss)	7	**10,579**	2,372	**9,163**	(3,469)
Expenses					
Employee benefits expense	8	**(64,884)**	(76,845)	**(27,723)**	(24,937)
Depreciation expense	15	**(16,775)**	(13,618)	**(2,147)**	(1,448)
Amortisation expense	16, 17, 21	**(17,910)**	(29,948)	**–**	–
Costs of tin mining and smelting		**(2,248,060)**	(2,813,134)	**(2,228,936)**	(2,978,671)
Finance costs	9	**(17,000)**	(24,050)	**(13,786)**	(20,961)
Other expenses	10	**(55,736)**	(64,557)	**(9,059)**	(13,917)
Total expenses		**(2,420,365)**	(3,022,152)	**(2,281,651)**	(3,039,934)
Share of results of associates and jointly controlled entities		**5,355**	24,692	**–**	–
(Loss)/Profit before exceptional items		**(62,699)**	116,430	**70,095**	104,448
Exceptional items:					
- Impairment and provisions related to expiry of CoW		**(128,420)**	–	**(193,615)**	–
- Other impairment and provisions		**(17,258)**	(25,298)	**(93,134)**	(41,611)
	11	**(145,678)**	(25,298)	**(286,749)**	(41,611)
(Loss)/Profit before tax	4	**(208,377)**	91,132	**(216,654)**	62,837
Income tax expense	12	**(29,931)**	(34,476)	**(19,658)**	(24,235)
(Loss)/Profit net of tax		**(238,308)**	56,656	**(236,312)**	38,602
Attributable to:					
Owners of the Company		**(172,271)**	60,523	**(236,312)**	38,602
Non-controlling interests		**(66,037)**	(3,867)	**–**	–
		(238,308)	56,656	**(236,312)**	38,602
(Loss)/Earnings per share attributable to owners of the Company (sen per share)					
- Basic and diluted	13	**(172.3)**	61.6	**–**	–

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

Statements of Comprehensive Income

For the financial year ended 31 December 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit net of tax	**(238,308)**	56,656	**(236,312)**	38,602
Other comprehensive income:				
Revaluation surplus on property, plant and equipment, net	**4,154**	–	**688**	–
Foreign currency translation	**(5,004)**	11,396	**–**	–
Cumulative fair value loss on available-for-sale investment securities	**(379)**	–	**(379)**	–
Net fair value changes on cash flow hedges	**51**	(801)	**91**	(801)
Other comprehensive income for the year, net of tax	**(1,178)**	10,595	**400**	(801)
Total comprehensive income for the year	**(239,486)**	67,251	**(235,912)**	37,801
Total comprehensive income attributable to:				
Owners of the Company	**(172,708)**	70,266	**(235,912)**	37,801
Non-controlling interests	**(66,778)**	(3,015)	**–**	–
	(239,486)	67,251	**(235,912)**	37,801

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

Statements of Financial Position

As at 31 December 2012

		Group			Company		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Assets							
Non-current assets							
Property, plant and equipment	15	**79,210**	92,378	94,523	**22,457**	17,342	13,046
Prepaid land lease payments	16	**1,173**	1,254	1,174	**–**	–	–
Base inventory		**3,000**	3,000	3,000	**3,000**	3,000	3,000
Intangible assets	17	**8,675**	1,721	1,547	**–**	–	–
Investment in subsidiaries	18	**–**	–	–	**148,681**	222,081	222,081
Investment in associates and jointly controlled entities	19	**162,103**	174,181	148,539	**56,168**	62,236	72,890
Investment securities	20	**13,520**	17,736	34,367	**13,520**	17,736	34,367
Other non-current assets	21	**8,335**	99,172	84,531	**–**	–	–
Other receivables	24	**28,306**	4,523	2,607	**6,868**	4,523	2,607
Deferred tax assets	32	**5,413**	17,950	11,083	**4,241**	3,316	1,256
		309,735	411,915	381,371	**254,935**	330,234	349,247
Current assets							
Inventories	23	**243,592**	303,122	404,320	**157,503**	156,534	283,608
Trade and other receivables	24	**189,814**	309,030	258,768	**211,469**	333,703	252,045
Other current assets	25	**7,219**	4,570	7,144	**2,754**	4,362	3,000
Tax recoverable		**217**	7,525	22,162	**–**	–	–
Derivative financial instruments	33	**312**	–	1,162	**312**	–	1,162
Cash, bank balances and deposits	26	**139,061**	235,697	119,244	**93,805**	178,367	78,378
		580,215	859,944	812,800	**465,843**	672,966	618,193
Assets of disposal group classified as held for sale	22	**–**	–	25,476	**–**	–	25,087
		580,215	859,944	838,276	**465,843**	672,966	643,280
Total assets		**889,950**	1,271,859	1,219,647	**720,778**	1,003,200	992,527

Statements of Financial Position *(cont'd)*

As at 31 December 2012

		Group			Company		
		31.12.2012	**31.12.2011**	**01.01.2011**	**31.12.2012**	**31.12.2011**	**01.01.2011**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Equity and liabilities							
Current liabilities							
Provisions	27	**39,816**	15,119	6,088	**68,821**	–	–
Borrowings	28	**429,501**	525,383	618,648	**360,680**	470,657	569,973
Trade and other payables	29	**167,471**	178,976	146,175	**111,288**	87,768	84,484
Current tax payable		**4,414**	20,600	25,870	**4,392**	2,829	3,055
Derivative financial instruments	33	**116**	419	1	**116**	419	1
		641,318	740,497	796,782	**545,297**	561,673	657,513
Liabilities directly associated with disposal group classified as held for sale	22	**–**	–	11,309	**–**	–	–
		641,318	740,497	808,091	**545,297**	561,673	657,513
Net current (liabilities)/assets		**(61,103)**	119,447	30,185	**(79,454)**	111,293	(14,233)
Non-current liabilities							
Provisions	27	**41,006**	39,742	30,324	**–**	–	–
Deferred tax liabilities	32	**547**	645	297	**–**	–	–
Borrowings	28	**7,656**	38,070	82,392	**7,656**	23,794	42,988
Derivative financial instruments	33	**369**	865	1,375	**369**	865	1,375
		49,578	79,322	114,388	**8,025**	24,659	44,363
Total liabilities		**690,896**	819,819	922,479	**553,322**	586,332	701,876
Net assets		**199,054**	452,040	297,168	**167,456**	416,868	290,651

Statements of Financial Position *(cont'd)*
As at 31 December 2012

		Group			Company		
		31.12.2012	**31.12.2011**	**01.01.2011**	**31.12.2012**	**31.12.2011**	**01.01.2011**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Equity attributable to owners of the Company							
Share capital	30	**100,000**	100,000	75,000	**100,000**	100,000	75,000
Share premium	30	**76,372**	76,372	1,706	**74,666**	74,666	-
Other reserves	31	**25,687**	29,140	19,478	**5,331**	4,931	5,820
Retained earnings/ (Accumulated losses)		**30,786**	213,541	164,180	**(12,541)**	237,271	209,831
Reserve of disposal group classified as held for sale	22	**–**	–	(3,256)	**–**	–	–
		232,845	419,053	257,108	**167,456**	416,868	290,651
Non-controlling interests		**(33,791)**	32,987	40,060	**–**	–	–
Total equity		**199,054**	452,040	297,168	**167,456**	416,868	290,651
Total equity and liabilities		**889,950**	1,271,859	1,219,647	**720,778**	1,003,200	992,527

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

Statements of Changes in Equity
For the financial year ended 31 December 2012

			Attributable to owners of the Company								
				Non-distributable						Distributable	
	Note	Total equity RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000	Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Non-controlling interests RM'000
Group												
At 1 January 2011		297,168	257,108	75,000	1,706	18,766	–	–	712	(3,256)	164,180	40,060
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		452,040	419,053	100,000	76,372	18,678	10,551	–	(89)	–	213,541	32,987

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

For the financial year ended 31 December 2012

			Attributable to owners of the Company								
				Non-distributable						Distributable	
	Note	Total equity RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000	Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Non-controlling interests RM'000
Group												
At 1 January 2012		452,040	419,053	100,000	76,372	18,678	10,551	–	(89)	–	213,541	32,987
Total comprehensive income		(239,486)	(172,708)	–	–	4,154	(4,263)	(379)	51	–	(172,271)	(66,778)
Realisation of revaluation reserve	31	–	–	–	–	(3,016)	–	–	–	–	3,016	–
Dividend on ordinary shares	14	(13,500)	(13,500)	–	–	–	–	–	–	–	(13,500)	–
At 31 December 2012		199,054	232,845	100,000	76,372	19,816	6,288	(379)	(38)	–	30,786	(33,791)

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

For the financial year ended 31 December 2012

	Note	Total equity RM'000	← Share capital RM'000	Share premium RM'000	Non-distributable Revaluation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000 →	Distributable Retained earnings/ (Accumulated losses) RM'000
Company								
At 1 January 2011		290,651	75,000	–	5,108	–	712	209,831
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		416,868	100,000	74,666	5,020	–	(89)	237,271
At 1 January 2012		**416,868**	**100,000**	**74,666**	**5,020**	**–**	**(89)**	**237,271**
Total comprehensive income		**(235,912)**	**–**	**–**	**688**	**(379)**	**91**	**(236,312)**
Dividend on ordinary shares	14	**(13,500)**	**–**	**–**	**–**	**–**	**–**	**(13,500)**
At 31 December 2012		**167,456**	**100,000**	**74,666**	**5,708**	**(379)**	**2**	**(12,541)**

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

Statements of Cash Flows

For the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating activities					
(Loss)/Profit before tax		**(208,377)**	91,132	**(216,654)**	62,837
Adjustments for:					
Amortisation of intangible assets	4	**946**	176	**–**	–
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure	4	**16,909**	29,698	**–**	–
Amortisation of prepaid land lease payments	4	**55**	74	**–**	–
Bad debts written off	10	**833**	7,471	**14**	9
Impairment of investment in a subsidiary	11	**–**	–	**16,525**	–
Deferred mine exploration and evaluation expenditure written off	10	**7,037**	–	**–**	–
Depreciation	15	**16,775**	13,618	**2,147**	1,448
Dividend income received from an associate	5	**–**	–	**(28)**	(28)
Dividend income received from subsidiaries	5	**–**	–	**(15,246)**	(41,382)
Fair value changes in ineffective portion of derivatives designated as hedging instruments in cash flow hedge	7	**(547)**	509	**(606)**	509
Fair value changes in interest rate swap	7	**(496)**	(510)	**(496)**	(510)
(Gain)/Loss on disposal of property, plant and equipment	7	**(560)**	825	**(132)**	(123)
Impairment of receivables	10,11	**18,567**	14,808	**66,332**	8,936
Impairment of investment in associates and a jointly controlled entity, net	11	**8,673**	8,442	**2,475**	10,654
Impairment of investment securities	10,11	**8,597**	16,631	**8,597**	16,631
Impairment of non-current asset classified as held for sale	11	**–**	–	**–**	810
Interest expense	9	**16,850**	23,904	**13,772**	20,945
Interest income	6	**(13,044)**	(12,967)	**(12,204)**	(15,143)
Loss arising from cessation of significant influence in a former associate	10	**975**	–	**106**	–
Net loss on disposal of disposal group classified as held for sale	11	**–**	254	**–**	13,545
Project expenses written off	10	**1,576**	–	**1,576**	–
Prepaid land lease payments expensed off	16	**6**	–	**–**	–
Property, plant & equipment written off	10	**91**	94	**–**	1
Provision for severance benefits and mine rehabilitation	4	**283**	28,162	**–**	–
Revaluation deficit on property	10	**80**	–	**–**	–
Share of results of associates and jointly controlled entities		**(5,355)**	(24,692)	**–**	–
Unrealised (gain)/loss on exchange		**(2,068)**	1,288	**1,662**	(2,072)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating activities (cont'd)					
Adjustments for: (cont'd)					
Unwinding of discount on provisions	9	**136**	130	**–**	–
Provision for inventory obsolescence	4	**2,598**	–	**–**	–
Write down/(Reversal of write down) of tin slag inventory	4	**23,545**	(13,897)	**–**	–
Impairment and provisions related to expiry of CoW					
- Impairment of property, plant and equipment	11	**9,860**	–	**–**	–
- Impairment of investment in a subsidiary	11	**–**	–	**56,875**	–
- Impairment of deferred mine development expenditure	11	**53,970**	–	**–**	–
- Write down of inventories	11	**26,782**	–	**–**	–
- Impairment of receivables	11	**14,929**	–	**67,919**	–
- Provision for employee benefits	11	**2,226**	–	**–**	–
- Provision for mining cessation liabilities	11	**20,653**	–	**–**	–
- Crystallisation of guarantee	11	**–**	–	**68,821**	–
Operating cash flows before changes in working capital		**22,505**	185,150	**61,455**	77,067
Decrease/(Increase) in inventories		**6,914**	114,971	**(970)**	127,074
Decrease/(Increase) in receivables		**95,409**	(67,956)	**49,230**	(79,736)
Increase in amounts due from subsidiaries		**–**	–	**(61,169)**	(1,862)
Increase in amounts due from associates and jointly controlled entities		**(6,973)**	(916)	**(6,973)**	(913)
(Decrease)/Increase in payables		**(15,297)**	2,465	**12,531**	(15,007)
Decrease in amount due to holding company		**(17)**	(62)	**(17)**	(62)
Decrease in amount due to a subsidiary		**–**	–	**(2,601)**	(14,664)
Increase in amount due to a jointly controlled entity		**14,136**	29,194	**14,136**	29,194
Cash generated from operations		**116,677**	262,846	**65,622**	121,091
Income tax paid		**(35,825)**	(30,516)	**(15,453)**	(15,195)
Interest paid		**(16,479)**	(23,254)	**(13,359)**	(20,269)
Severance benefits paid	27	**(208)**	(263)	**–**	–
Net cash generated from operating activities		**64,165**	208,813	**36,810**	85,627

Statements of Cash Flows *(cont'd)*
For the financial year ended 31 December 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Investing activities					
Interest received		**14,937**	11,062	**13,541**	9,455
Net dividend received from an associate		**21**	21	**21**	21
Net dividend received from a subsidiary		**–**	–	**11,434**	31,036
Net receipt/(payment) for an insurance scheme	27	**2,851**	(11,234)	**–**	–
Payment for corporate club membership	17	**–**	(350)	**–**	–
Payment for deferred mine exploration and evaluation expenditure and deferred mine development expenditure		**(3,425)**	(42,346)	**–**	–
Payment for mine closure deposit		**(21,438)**	–	**–**	–
Payment for mining rights	17	**(7,900)**	–	**–**	–
Payment for prepaid land lease payments	16	**–**	(141)	**–**	–
Proceeds from disposal of property, plant and equipment		**2,067**	438	**174**	323
Proceeds from disposal of disposal group classified as held for sale	22	**–**	10,530	**–**	10,732
Purchase of property, plant and equipment		**(10,234)**	(12,171)	**(6,387)**	(5,945)
Purchase of shares in associates and jointly controlled entities		**(1,274)**	–	**(1,274)**	–
Net cash (used in)/generated from investing activities		**(24,395)**	(44,191)	**17,509**	45,622
Financing activities					
Dividends paid on ordinary shares	14	**(13,500)**	(11,250)	**(13,500)**	(11,250)
Repayment of short term trade financing and other borrowings		**(96,436)**	(110,653)	**(120,936)**	(110,653)
Proceeds from issuance of ordinary shares, net		**–**	99,666	**–**	99,666
Repayment of term loans		**(30,000)**	(30,595)	**(4,472)**	(9,181)
Net cash used in financing activities		**(139,936)**	(52,832)	**(138,908)**	(31,418)
Net (decrease)/increase in cash and cash equivalents		**(100,166)**	111,790	**(84,589)**	99,831
Effect of changes in foreign exchange rates		**475**	4,138	**(51)**	158
Cash and cash equivalents as at 1 January		**234,491**	118,563	**177,161**	77,172
Cash and cash equivalents as at 31 December	26	**134,800**	234,491	**92,521**	177,161

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The Company is secondarily listed in Singapore Exchange Securities Trading Limited ("SGX-ST"). 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 SGX-ST which 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, and the associates and jointly controlled entities 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 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards. For all periods up to and including the year ended 31 December 2011, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards in Malaysia ("FRS").

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 First-time adoption of MFRS

These financial statements for the year ended 31 December 2012 are the first the Group and the Company have prepared in accordance with MFRS. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group and the Company have adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's and the Company's financial position, financial performance and cash flows is set out below. These notes include reconciliations of equity at the date of transition reported under FRS to those reported at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of comprehensive income and statement of cash flows.

There are no adjustments arising from the transition to MFRS, except for those discussed below. Accordingly, notes related to the statement of financial position as at date of transition to MFRS are only presented for those items.

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

2.2 First-time adoption of MFRS (cont'd)

(i) Business combinations

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

(i) The classification of former business combinations under FRS is maintained;
(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(ii) Foreign currency translation reserves

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences of RM28,067,000 (31 December 2011:RM28,067,000) were adjusted to retained earnings.

(iii) Employee benefits

Under FRS, the Group recognised actuarial gains and losses as income or expense when the net cumulative unrecognised gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets.

MFRS 1 provides the optional exemption to recognise all cumulative actuarial gains and losses at the date of transition.

Accordingly, at the date of transition to MFRS, the cumulative actuarial losses of RM10,257,000 (31 December 2011:RM10,257,000) were adjusted to retained earnings and non-controlling interests.

(iv) Investment in subsidiaries

MFRS 1 provides the optional exemption for the Company to measure its investment in subsidiaries at cost (determined in accordance with MFRS 127) or deemed cost (fair value or carrying amount recorded under FRS) at the date of transition to MFRS.

The Company regards the fair value as at 1 January 2011 as the deemed cost for its investment in Rahman Hydraulic Tin Sdn. Bhd. Accordingly, at the date of transition to MFRS, the excess of fair value over the carrying amount of RM133,356,000 (31 December 2011:RM133,356,000) were adjusted to retained earnings.

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

2.2 First-time adoption of MFRS (cont'd)

The reconciliations of equity at the date of transition reported under FRS to those reported at the date of transition under MFRS are provided below:

(i) Reconciliation of equity as at 1 January 2011

	Group			
	FRS as at 1 January 2011 RM'000	Foreign currency translation reserves RM'000	Employee benefits RM'000	MFRS as at 1 January 2011 RM'000
Non-current liabilities				
Provisions	20,067	–	10,257	30,324
Equity				
Foreign currency translation reserves	(28,067)	28,067	–	–
Retained earnings	199,940	(28,067)	(7,693)	164,180
Non-controlling interests	42,624	–	(2,564)	40,060

	Company		
	FRS as at 1 January 2011 RM'000	Effects of transition to MFRS RM'000	MFRS as at 1 January 2011 RM'000
Non-current assets			
Investment in subsidiaries	88,725	133,356	222,081
Equity			
Retained earnings	76,475	133,356	209,831

(ii) Reconciliation of equity as at 31 December 2011

	Group			
	FRS as at 31 December 2011 RM'000	Foreign currency translation reserves RM'000	Employee benefits RM'000	MFRS as at 31 December 2011 RM'000
Non-current liabilities				
Provisions	29,485	–	10,257	39,742
Equity				
Foreign currency translation reserves	(17,516)	28,067	–	10,551
Retained earnings	249,301	(28,067)	(7,693)	213,541
Non-controlling interests	35,551	–	(2,564)	32,987

	Company		
	FRS as at 31 December 2011 RM'000	Effects of transition to MFRS RM'000	MFRS as at 31 December 2011 RM'000
Non-current assets			
Investment in subsidiaries	88,725	133,356	222,081
Equity			
Retained earnings	103,915	133,356	237,271

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

2.3 Standards and interpretations issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 *Business Combinations* issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendment to IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

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

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

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces the portion of MFRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. MFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by MFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in MFRS 127. The Group is currently assessing the impact of adoption of MFRS 10.

MFRS 11 Joint Arrangements

MFRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131, Interest in Joint Ventures. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Interest in joint venture will be accounted for using equity method whilst interest in joint operation will be accounted for using the applicable MFRSs relating to the underlying assets, liabilities, income and expense items arising from the joint operations. The Group is currently assessing the impact of adoption of MFRS 11.

MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of MFRS 13.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements of the Company.

MFRS 128 Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to the waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The Group is currently assessing the impact of adoption of IC Interpretation 20.

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

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

Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments require additional information to be disclosed to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. In subsequent phases, it will address hedge accounting and impairment of financial assets. The adoption of this first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group is currently assessing the impact of adoption of MFRS 9.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

2.4 Basis of consolidation (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 that is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that 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 values of the operation disposed of and the portion of the cash-generating unit retained.

2.5 Investment in associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. 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.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, its investment in associates is stated at cost less any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

2.6 Interest in jointly controlled entities

The Group has interest in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint ventures using the equity method as described in Note 2.5.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

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

2.7 Intangible assets

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(i) Mining rights

Mining rights acquired are stated at their fair values as at the date of acquisition. Following initial recognition, mining rights are carried at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

Mining rights 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 memberships

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

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

2.8 Mine 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 2.12.

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 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 mine 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 2.12.

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 mine development expenditure to determine whether there is any indication of impairment. An impairment loss is recognised as an expense in profit or loss.

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

2.10 Property, plant and equipment and depreciation

Property, plant and equipment, other than land and buildings are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

The accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

In the tin mining subsidiaries, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves and resources over the estimated useful lives of the assets. Changes in 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 and the Company is provided for on the straight-line method to write off the cost of each asset to its residual value over the shorter of their estimated economic useful lives or life of the mine where appropriate. The estimated useful lives are as follows:

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.11 Prepaid land lease payments

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

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

2.12 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group and the Company base their impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's and the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.13 Financial assets

Initial recognition and measurement

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

2.13 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

The Group's and the Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in profit or loss.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under MFRS 139 are satisfied.

The Group and the Company have not designated any financial assets at fair value through profit or loss.

The Group and the Company evaluate their financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group and the Company are unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group and the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss.

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

2.13 Financial assets (cont'd)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to profit or loss. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group and the Company evaluate whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group and the Company are unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group and the Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group and the Company have the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or
  (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2.13 Financial assets (cont'd)

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2.14 Impairment of financial assets

The Group and the Company assess, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is recorded in profit or loss.

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

2.14 Impairment of financial assets (cont'd)

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

For available-for-sale financial investments, the Group and the Company assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss.

2.15 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 the 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, coal 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.

2.16 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

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

2.17 Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As a lessee

Finance leases that transfer to the Group and the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 recognised in profit or loss.

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

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

As a lessor

Leases in which the Group and the Company do not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group and the Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

2.19 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of MFRS 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

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

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

2.19 Financial liabilities (cont'd)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of MFRS 139 are satisfied.

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, 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 recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

2.20 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

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

2.21 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 38.

2.22 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

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

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges

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

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

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

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

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

2.22 Derivative financial instruments and hedge accounting (cont'd)

Cash flow hedges

The Group and the Company use 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.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

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

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as 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 value of any such gains or losses recorded in equity is transferred to profit or loss.

Derivatives that are not designated or do not qualify for hedge accounting

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

The Group and the Company have entered into interest rate swap which is not designated for hedge accounting.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- When the Group and the Company will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

- Embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

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

2.23 Foreign currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

ii) Group companies

On consolidation the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their income and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.24 Non-current assets and disposal group held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

2.25 Base inventory

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

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

2.26 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group and the Company assess their revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group and the Company have concluded that they are acting as principals in all of their revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

(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 and the Company'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.

2.27 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.28 Income tax

(a) Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

2.28 Income tax (cont'd)

(b) Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or 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

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

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

- When 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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

2.29 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)

2.29 Employee benefits (cont'd)

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expense in the period in which the related services is performed. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). 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' obligations under the Scheme, calculated using the Projected Unit Credit Method, are 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 and the Company recognise 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.

2.30 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 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.31 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)

2.32 Contingencies

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

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

3. Significant accounting judgements and estimates

The preparation of the 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 judgement, 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 their 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 2012, the amount of impairment loss recognised in profit or loss for available-for-sale financial assets was RM8,597,000 (2011: RM16,631,000) as disclosed in Notes 10 and 11.

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, deferred mine exploration and evaluation expenditure and deferred mine development 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, deferred mine exploration and evaluation expenditure and deferred mine development expenditure. The estimate of the quantity of economically recoverable ore reserves and resources is also used for the amortisation of mining rights, deferred mine exploration and evaluation expenditure and deferred mine development expenditure. Actual outcomes could differ from these estimates and assumptions. The carrying amount at the reporting date for mining rights is disclosed in Note 17 and that for deferred mine exploration and evaluation expenditure and deferred mine development expenditure is disclosed in Note 21.

(c) Impairment loss on investment in subsidiaries, and associates and jointly controlled entities and unquoted investment

The Group has subsidiaries, and associates and jointly controlled entities and unquoted investment which are principally involved in exploration and mining of various minerals and metals.

The impairment assessments of the Group's investment in a subsidiary, PT Koba Tin and an associate, Guilin Hinwei Tin Co Ltd. are based on fair value less costs to sell.

The impairment assessments of the Group's investment in a subsidiary, PT MSC Indonesia, a jointly controlled entity, KM Resources, Inc. and its unquoted investment in TMR Ltd. are 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 the reporting date for investment in subsidiaries, and associates and jointly controlled entities and unquoted investment is disclosed in Notes 18, 19 and 20.

(d) Provision for mine rehabilitation and mine restoration costs

Provision for mine rehabilitation and mine 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 mine restoration costs. The carrying amount of provision for mine rehabilitation and mine restoration costs at the reporting date is disclosed in Note 27.

(e) Deferred tax assets and unrecognised tax losses

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 flows. 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 2012 were RM5,413,000 (2011: RM17,950,000) and RM4,241,000 (2011: RM3,316,000) respectively and the unrecognised tax losses of the Group at 31 December 2012 was RM205,051,000 (2011: RM53,335,000) as disclosed in Note 32.

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. Actual outcome may differ from expected outcome.

(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 the carrying value of investment in subsidiaries, and associates and jointly controlled entities and unquoted investment, 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, deferred tax liabilities and tax recoverable, 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 flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 24. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's allowance for impairment will increase by RM263,000 (2011: RM372,000).

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

3.2 Key sources of estimation uncertainty (cont'd)

(k) Impairment of assets and provisions for liabilities of PT Koba Tin, a subsidiary as a result of expiry of Contract of Work ("CoW")

The Group has accounted for the impairment of assets (based on fair value less costs to sell) and provisions for liabilities arising from the expiry of PT Koba Tin's CoW after 31 March 2013 based on its best estimates and assumptions.

The determination of the amount of impairment of assets and provisions for liabilities requires judgement.

The actual amount for the impairment of assets and provisions for liabilities may differ from those recognised in profit or loss, as disclosed in Notes 11 and 12.

As disclosed in Note 41(b), the Government of Republic of Indonesia ("GOI") is still continuing with its evaluation for the extension of the CoW. In the meantime, the GOI has given permission to PT Koba Tin to continue undertaking production operations until the completion of its evaluation up to a maximum period of three months with effect from 1 April 2013.

In the event that the extension of the CoW (or an alternative mine operating license) is granted, a substantial amount of the impairment of assets and provisions for liabilities recognised in profit or loss may have to be reversed, depending inter alia on the specific terms and conditions of such grant and on the circumstances prevailing at that time.

4. **(Loss)/Profit before tax**

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

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
After charging:				
Auditors' remuneration:				
- statutory audits	**886**	917	**280**	250
- underprovision in prior years	**169**	155	**90**	140
Amortisation of prepaid land lease payments (Note 16)	**55**	74	**–**	–
Amortisation of mining rights (Note 17)	**900**	132	**–**	–
Amortisation of corporate club membership (Note 17)	**46**	44	**–**	–
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure (Note 21)	**16,909**	29,698	**–**	–
Consulting fees paid to a director of a subsidiary	**60**	60	**–**	–
Directors' remuneration (Note 36(b)):				
- fees	**874**	1,071	**465**	465
- benefits-in-kind	**126**	129	**126**	129
- salaries and emoluments	**1,191**	1,388	**1,178**	1,367
Hire of equipment and vehicles	**87**	116	**87**	116
Provision for severance benefits (Note 27)	**–**	9,915	**–**	–
Provision for mine rehabilitation (Note 27)	**3,195**	18,247	**–**	–
Rental of land and buildings	**1,653**	1,578	**1,941**	1,939
Secretarial fees payable to a director of a foreign subsidiary	**65**	46	**–**	–
Provision for inventory obsolescence	**2,598**	–	**–**	–
Write down of tin slag inventory (Note 23)	**23,545**	–	**–**	–
and crediting:				
Reversal of provision for severance benefits, net (Note 27)	**2,912**	–	**–**	–
Reversal of write down of tin slag inventory no longer required (Note 23)	**–**	13,897	**–**	–

5. Dividend income

	Company	
	2012	**2011**
	RM'000	**RM'000**
Dividend income from:		
Investment in subsidiaries		
- Unquoted in Malaysia	**15,246**	41,382
Investment in associates		
- Unquoted in Malaysia	**28**	28
	15,274	41,410

6. Interest income

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income from:				
- Subsidiaries	**–**	–	**556**	3,784
- Associate and jointly controlled entity	**319**	1,772	**319**	1,772
- Deposits	**4,483**	4,511	**3,087**	2,903
- Tin sales	**8,242**	6,684	**8,242**	6,684
	13,044	12,967	**12,204**	15,143

7. Other income/(loss)

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bad debts recovered	**–**	40	**–**	40
Other operating income	**3,970**	8,825	**3,403**	2,587
Gain/(Loss) on disposal of property, plant and equipment	**560**	(825)	**132**	123
Net foreign exchange gain/(loss)	**5,006**	(5,669)	**4,526**	(6,220)
Fair value changes in financial assets:				
- Interest rate swap	**496**	510	**496**	510
- Ineffective portion of derivatives designated as hedging instruments in cash flow hedge (Note 31)	**547**	(509)	**606**	(509)
	10,579	2,372	**9,163**	(3,469)

8. Employee benefits expense

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	**59,405**	59,350	**23,079**	20,686
Social security contribution	**275**	311	**114**	156
Contribution to defined contribution plan	**5,207**	4,309	**2,977**	2,553
Severance benefits (Note 27)	**(2,912)**	9,915	**–**	–
Other benefits	**2,909**	2,960	**1,553**	1,542
	64,884	76,845	**27,723**	24,937

The employee benefits expense includes directors' salaries and emoluments as disclosed in Note 4 but does not include the employee benefits amounting to RM2,226,000 (2011: Nil) arising from the expiry of PT Koba Tin's Contract of Work after 31 March 2013 as disclosed in Note 11.

9. Finance costs

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses on bank borrowings	**16,850**	23,904	**13,772**	20,945
Commitment fees	**14**	16	**14**	16
Unwinding of discount on provisions (Note 27)	**136**	130	**–**	–
	17,000	24,050	**13,786**	20,961

10. Other expenses

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Administrative expenses	**19,231**	23,107	**5,328**	3,628
Marketing and distribution expenses	**7,334**	19,048	**1,240**	1,314
Impairment of receivables (Note 24)	**18,567**	14,808	**783**	8,936
Bad debts written off	**833**	7,471	**14**	9
Impairment of investment securities	**12**	29	**12**	29
Property, plant and equipment written off	**91**	94	**–**	1
Project expenses written off	**1,576**	–	**1,576**	–
Deferred mine exploration and evaluation expenditure written off (Note 21)	**7,037**	–	**–**	–
Loss arising from cessation of significant influence in a former associate	**975**	–	**106**	–
Revaluation deficit on property	**80**	–	**–**	–
	55,736	64,557	**9,059**	13,917

11. Exceptional items

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Impairment and provisions related to expiry of CoW				
- Impairment of property, plant and equipment (Note 15)	**9,860**	–	**–**	–
- Impairment of investment in a subsidiary (Note 18)	**–**	–	**56,875**	–
- Impairment of deferred mine development expenditure (Note 21)	**53,970**	–	**–**	–
- Write down of inventories (Note 23)	**26,782**	–	**–**	–
- Impairment of receivables (Note 24)	**14,929**	–	**67,919**	–
- Provision for employee benefits (Note 27)	**2,226**	–	**–**	–
- Provision for mining cessation liabilities (Note 27)	**20,653**	–	**–**	–
- Crystallisation of guarantee (Note 27)	**–**	–	**68,821**	–
	128,420	–	**193,615**	–
Other impairment and provisions				
Impairment of investment in a subsidiary (Note 18)	**–**	–	**16,525**	–
Impairment of investment in associates and a jointly controlled entity, net (Note 19)	**8,673**	8,442	**2,475**	10,654
Impairment of investment securities (Note 20)	**8,585**	16,602	**8,585**	16,602
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
Impairment of receivables (Note 24)	**–**	–	**65,549**	–
	17,258	25,298	**93,134**	41,611
	145,678	25,298	**286,749**	41,611

Exceptional items are those items that in the directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Impairment losses and provisions of RM128,420,000 and RM193,615,000 were recognised in profit or loss of the Group and the Company respectively for the financial year ended 31 December 2012 as the Contract of Work ("CoW") of PT Koba Tin, a subsidiary has expired after 31 March 2013.

12. Income tax expense

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Income statement				
Current income tax:				
Malaysian income tax	**25,653**	30,965	**20,677**	27,165
Foreign tax	**1,017**	4,616	**–**	–
	26,670	35,581	**20,677**	27,165
(Over)/Under provision in prior years:				
Malaysian income tax	**(51)**	812	**157**	(1,843)
Foreign tax	**(8,350)**	3,222	**–**	–
	18,269	39,615	**20,834**	25,322
Foreign withholding tax	**9**	705	**9**	705
	18,278	40,320	**20,843**	26,027
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	**(3,085)**	(4,746)	**(1,228)**	(1,765)
(Over)/Under provision in prior years	**(972)**	(1,098)	**43**	(27)
Reversal of deferred tax assets	**15,710**	–	**–**	–
	11,653	(5,844)	**(1,185)**	(1,792)
Income tax expense recognised in profit or loss	**29,931**	34,476	**19,658**	24,235

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Deferred tax related to other comprehensive income (Notes 31 and 32):				
Net surplus on revaluation of buildings	**298**	–	**229**	–
Net fair value changes on cash flow hedges	**17**	(268)	**31**	(268)
	315	(268)	**260**	(268)

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 rates applicable to foreign subsidiaries are as follows:-

	2012	2011
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 (loss)/profit

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(Loss)/Profit before tax	**(208,377)**	91,132	**(216,654)**	62,837
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	**(52,094)**	22,783	**(54,164)**	15,709
Different tax rates in other countries	**(12,844)**	(868)	**–**	–
Income not subject to tax	**(150)**	(1,349)	**(150)**	(1,349)
Expenses not deductible for tax purpose	**57,882**	9,368	**73,763**	11,040
Benefits from previously unrecognised tax losses	**(2,281)**	–	**–**	–
Deferred tax assets not recognised	**33,072**	901	**–**	–
Reversal of deferred tax assets	**15,710**	–	**–**	–
(Over)/Under provision of tax expense in prior years	**(8,401)**	4,034	**157**	(1,843)
(Over)/Under provision of deferred tax in prior years	**(972)**	(1,098)	**43**	(27)
Foreign withholding tax	**9**	705	**9**	705
Income tax expense recognised in profit or loss	**29,931**	34,476	**19,658**	24,235

Impairment of foreign tax receivable of RM1,017,000 and reversal of deferred tax assets of RM15,710,000 were recognised in profit or loss of the Group for the financial year ended 31 December 2012 as the Contract of Work of PT Koba Tin, a subsidiary has expired after 31 March 2013.

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

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

	Group	
	2012	**2011**
(Loss)/Profit attributable to owners of the Company (RM'000)	**(172,271)**	60,523
Weighted average number of ordinary shares for basic (loss)/ earnings per share computation* ('000)	**100,000**	98,288
Basic and diluted (loss)/earnings per share (sen)	**(172.3)**	61.6

* The weighted average number of shares takes into account the weighted average effect of new issuance of ordinary shares during the financial year ended 31 December 2011.

14. Dividends

	Amount		Net dividend per share	
	2012	**2011**	**2012**	**2011**
Group and Company	**RM'000**	**RM'000**	**Sen**	**Sen**
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
Final dividend for 2011:				
18 sen less 25% tax per share paid on 8 June 2012	**13,500**	–	**13.5**	–
	13,500	11,250	**13.5**	11.3

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2012.

15. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Mine restoration RM'000	Capital work-in-progress RM'000	Total RM'000
Cost or Valuation						
At 1 January 2012						
- At cost	–	–	284,438	2,350	4,105	290,893
- At valuation	17,557	21,672	–	–	–	39,229
	17,557	21,672	284,438	2,350	4,105	330,122
Additions	–	33	1,670	1,634	8,531	11,868
Disposals/Written off	–	–	(6,581)	–	(2,289)	(8,870)
Transfer in/(out)	–	–	6,901	–	(6,901)	–
Revaluation adjustments	3,262	(2,030)	–	–	–	1,232
Exchange differences	–	(140)	(7,306)	–	(80)	(7,526)
At 31 December 2012	20,819	19,535	279,122	3,984	3,366	326,826
Representing:						
- At cost	–	–	279,122	3,984	3,366	286,472
- At valuation	20,819	19,535	–	–	–	40,354
At 31 December 2012	20,819	19,535	279,122	3,984	3,366	326,826
Accumulated depreciation and impairment losses						
At 1 January 2012	–	1,593	234,180	1,392	579	237,744
Depreciation charge for the year	–	1,595	15,054	126	–	16,775
Impairment loss recognised in profit or loss (Note 11)	–	565	9,295	–	–	9,860
Disposals/Written off	–	–	(6,448)	–	(559)	(7,007)
Elimination of accumulated depreciation on revaluation	–	(3,140)	–	–	–	(3,140)
Exchange differences	–	(48)	(6,548)	–	(20)	(6,616)
At 31 December 2012	–	565	245,533	1,518	–	247,616
Net carrying amount						
- At cost	–	–	33,589	2,466	3,366	39,421
- At valuation	20,819	18,970	–	–	–	39,789
At 31 December 2012	20,819	18,970	33,589	2,466	3,366	79,210

Included in the Group's additions to property, plant and equipment is an amount of RM1,634,000 (2011: Nil) relating to provision for mine restoration costs.

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

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Mine restoration RM'000	Capital work-in-progress RM'000	Total RM'000
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
Net carrying amount						
- At cost	–	–	44,412	1,084	10,462	55,958
- At valuation	17,757	20,808	–	–	–	38,565
At 1 January 2011	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
Cost or Valuation					
At 1 January 2012					
- At cost	–	–	44,295	1,037	45,332
- At valuation	–	8,550	–	–	8,550
	–	8,550	44,295	1,037	53,882
Additions	–	–	–	6,387	6,387
Disposals/Written off	–	–	(1,388)	–	(1,388)
Transfer in/(out)	–	–	5,436	(5,436)	–
Revaluation adjustments	–	450	–	–	450
At 31 December 2012	–	9,000	48,343	1,988	59,331
Representing:					
- At cost	–	–	48,343	1,988	50,331
- At valuation	–	9,000	–	–	9,000
At 31 December 2012	–	9,000	48,343	1,988	59,331
Accumulated depreciation and impairment losses					
At 1 January 2012	–	238	36,302	–	36,540
Depreciation charge for the year	–	229	1,918	–	2,147
Disposals/Written off	–	–	(1,346)	–	(1,346)
Elimination of accumulated depreciation on revaluation	–	(467)	–	–	(467)
At 31 December 2012	–	–	36,874	–	36,874
Net carrying amount					
- At cost	–	–	11,469	1,988	13,457
- At valuation	–	9,000	–	–	9,000
At 31 December 2012	–	9,000	11,469	1,988	22,457

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
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
Net carrying amount					
- At cost	–	–	3,506	790	4,296
- At valuation	200	8,550	–	–	8,750
At 1 January 2011	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 2012 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	31 Dec 2012	Office lots in Kuala Lumpur	5,000	Open market value
(ii)	Yee Meng Keong, MRISM Registered Valuer	31 Dec 2012	80 units flats in Bukit Mertajam	4,000	Open market value
		31 Dec 2012	Land and tin smelting industrial complex in Butterworth	28,894	Depreciated replacement cost
		31 Dec 2012	Land and buildings in Daerah Hulu Perak	685	Depreciated replacement cost
(iii)	Ir Antonius Setiady, SCV, MAPPI (Cert) Public Valuer, Registered Valuer	31 Dec 2012	Buildings in Pangkal Pinang, Bangka Island	292	Depreciated replacement cost
		31 Dec 2012	Buildings in Air Kantung, Bangka Island	918	Depreciated replacement cost
				39,789	

Had the revalued properties been carried at historical cost less accumulated depreciation and impairment losses, if any, the net carrying amount of each class of the properties that would have been included in the financial statements of the Group and of the Company as at 31 December 2012 would be as follows:

	Group		Company	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Freehold land	**9,339**	9,339	**–**	–
Buildings	**9,793**	10,745	**6,086**	6,288

16. Prepaid land lease payments

	2012 RM'000	2011 RM'000
Group		
Leasehold land		
At 1 January	**1,254**	1,174
Additions	**–**	141
Exchange translation differences	**(20)**	13
Amortisation for the year (Note 4)	**(55)**	(74)
Expensed off to profit or loss	**(6)**	–
At 31 December	**1,173**	1,254
Analysed as:		
Long term leasehold land	**270**	281
Short term leasehold land	**903**	973
	1,173	1,254
Amount to be amortised:		
- Not later than one year	**55**	56
- Later than one year but not later than five years	**222**	225
- Later than five years	**896**	973
	1,173	1,254

The long term leasehold land has unexpired lease periods of between 56 and 99 years (2011: 57 and 99 years). The short term leasehold land has unexpired lease periods of between 1 and 22 years (2011: 1 and 23 years).

17. Intangible assets

Group	Mining rights RM'000	Goodwill RM'000	Corporate club memberships RM'000	Total RM'000
Cost				
At 1 January 2012	**12,103**	**657**	**863**	**13,623**
Additions	**7,900**	**–**	**–**	**7,900**
At 31 December 2012	**20,003**	**657**	**863**	**21,523**
At 1 January 2011	12,103	657	513	13,273
Additions	–	–	350	350
At 31 December 2011	12,103	657	863	13,623
Accumulated amortisation and impairment losses				
At 1 January 2012	**11,091**	**657**	**154**	**11,902**
Amortisation for the year (Note 4)	**900**	**–**	**46**	**946**
At 31 December 2012	**11,991**	**657**	**200**	**12,848**
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
Net carrying amount				
At 31 December 2012	**8,012**	**–**	**663**	**8,675**
At 31 December 2011	1,012	–	709	1,721

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..

Goodwill

Details of goodwill arising from acquisition of the subsidiary are as follows:

Subsidiary	Amount RM'000	Year of acquisition
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 amount of goodwill arising from the acquisition of SRM was determined based on fair value less costs to sell. Based on the impairment assessment by the management, the goodwill arising from the acquisition of SRM had been fully impaired as at 31 December 2010.

18. Investment in subsidiaries

Company	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Unquoted shares, at cost	**223,428**	223,428	223,428
Less: Accumulated impairment losses	**(74,747)**	(1,347)	(1,347)
	148,681	222,081	222,081

Impairment assessment

As at 31 December 2012, the Company carried out a review of the recoverable amount of its investment in Bemban Corporation Ltd. as the Contract of Work of PT Koba Tin, a subsidiary of Bemban Corporation Ltd. has expired after 31 March 2013. A full impairment loss of RM56,875,000 has been recognised in profit or loss, reducing the net carrying amount of the investment to nil at 31 December 2012.

As at 31 December 2012, the Company carried out a review of the recoverable amount of its investment in PT MSC Indonesia, a subsidiary due to its net liabilities position. A full impairment loss of RM16,525,000 has been recognised in profit or loss, reducing the net carrying amount of the investment to nil at 31 December 2012.

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

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			31.12.2012	31.12.2011
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
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 SRM Indonesia ("PT SRM")***	Indonesia	Providing tin exploration, management and consulting services	**99#**	99#

* Audited by Ernst & Young, Malaysia
** Audited by member firm of Ernst & Young Global in the respective country
*** Audited by firms of auditors other than Ernst & Young
# Indirect interest

19. Investment in associates and jointly controlled entities

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Investment in associates				
In Malaysia:				
Unquoted shares, at cost	**10,473**	10,473	**10,473**	10,473
Share of post-acquisition reserves	**12,480**	10,676	**–**	–
	22,953	21,149	**10,473**	10,473
Outside Malaysia:				
Quoted shares, at cost	**–**	116,610	**–**	116,610
Unquoted shares, at cost	**18,431**	18,431	**18,431**	18,431
	18,431	135,041	**18,431**	135,041
Share of post-acquisition reserves	**(5,558)**	(17,327)	**–**	–
	12,873	117,714	**18,431**	135,041
Accumulated impairment losses:				
Quoted shares	**–**	(99,572)	**–**	(111,743)
Unquoted shares	**(12,873)**	(10,800)	**(18,431)**	(15,956)
	–	7,342	**–**	7,342
	22,953	28,491	**10,473**	17,815
Investment in jointly controlled entities				
In Malaysia:				
Unquoted shares, at cost	**44,421**	44,421	**44,421**	44,421
Share of post-acquisition reserves	**100,055**	101,269	**–**	–
	144,476	145,690	**44,421**	44,421
Accumulated impairment losses:				
Unquoted shares	**(6,600)**	–	**–**	–
	137,876	145,690	**44,421**	44,421
Outside Malaysia:				
Unquoted shares, at cost	**1,274**	–	**1,274**	–
	139,150	145,690	**45,695**	44,421
Total investment in associates and jointly controlled entities	**162,103**	174,181	**56,168**	62,236
Market value of quoted shares – outside Malaysia	**–**	4,867	**–**	4,867

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

Impairment assessment

(i) Investment in associates

The investment in quoted shares outside Malaysia relates to the investment in Asian Mineral Resources Limited ("AMR"), a company listed on Toronto Stock Exchange. AMR ceased to be an associate and has become an available-for-sale investment during the financial year ended 31 December 2012. During the financial year ended 31 December 2011, an impairment loss of RM6,442,000 and RM8,679,000 has been recognised in profit or loss of the Group and of the Company respectively based on fair value less costs to sell, which was the market bid price of C$0.05 per share at 31 December 2011.

The investment in unquoted shares outside Malaysia relates to the investment in Guilin Hinwei Tin Co Ltd. During the financial year ended 31 December 2012, the joint venture partner Guangxi Guilin Jinwei Realty Co Ltd has been unable to fulfill certain of its obligations within the specific time frame and an impairment loss of RM2,073,000 (2011: RM2,000,000) and RM2,475,000 (2011: RM1,975,000) has been recognised in profit or loss of the Group and of the Company respectively, reducing the net carrying amount of the investment to nil as at 31 December 2012.

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

Name of associates	Country of incorporation	Principal activities	Proportion of ownership interest	
			31.12.2012	31.12.2011
			%	%
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
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 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) For the financial year ended 31 December 2011, although the Company held less than 20% interest in the shareholding in this investment, the Company exercised significant influence by virtue of its representatives on the Board of this associate.

For the financial year ended 31 December 2012, AMR ceased to be an associate following the cessation of significant influence after the resignation of the Company's representatives from the Board of AMR in March 2012. The investment in AMR has been classified as investment securities (Note 20).

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

(i) Investment in associates (cont'd)

The summarised financial information of the associates are as follows:

Group	31.12.2012 RM'000	31.12.2011 RM'000
Share of associates' assets and liabilities		
Assets and liabilities		
Current assets	**25,057**	27,639
Non-current assets	**17,689**	120,695
Total assets	**42,746**	148,334
Current liabilities	**6,802**	9,225
Non-current liabilities	**118**	246
Total liabilities	**6,920**	9,471

	2012 RM'000	2011 RM'000
Share of associates' revenue and profit/(loss)		
Results		
Revenue	**34,313**	32,973
Profit/(Loss) for the year	**1,275**	(1,121)

(ii) Investment in jointly controlled entities

The investment in unquoted shares in Malaysia relates to the investment in KM Resources, Inc.. During the financial year ended 31 December 2012, the Group carried out a review of the recoverable amount of its investment in KM Resources, Inc. An impairment loss of RM6,600,000 representing the write down of the investment to the recoverable amount has been recognised in profit or loss of the Group. The recoverable amount was based on its value in use and the discount rate used in the valuation is 12%.

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

(ii) Investment in jointly controlled entities (cont'd)

Details of the jointly controlled entities of the Group and the Company are as follows:

Name of jointly controlled entity	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2012 %	31.12.2011 %
Held by the Company:				
KM Resources, Inc.	Labuan, Malaysia	Investment holding	**30**	30
Africa Smelting Corporation Sprl ("ASC")	Democratic Republic of Congo	Tin smelting	**40**	–

On 5 June 2012, the Company announced that it has entered into a Sales and Purchase Agreement ("SPA") to acquire a 40% stake in Africa Smelting Corporation Sprl ("ASC") for USD400,000. ASC is a private limited company incorporated in Democratic Republic of Congo where it is to own and operate a tin smelting facility in Lubumbashi, Katanga, DRC with an issued capital of 1,000 shares of USD1,000 each. ASC became a 40% owned jointly controlled entity in the 2nd quarter of the financial year ended 31 December 2012.

Group	31.12.2012 RM'000	31.12.2011 RM'000
Share of jointly controlled entities' assets and liabilities		
Assets and liabilities		
Current assets	**107,714**	94,321
Non-current assets	**95,861**	103,871
Total assets	**203,575**	198,192
Current liabilities	**36,602**	37,916
Non-current liabilities	**21,223**	14,586
Total liabilities	**57,825**	52,502

	2012 RM'000	2011 RM'000
Share of jointly controlled entities' revenue and profit		
Results		
Revenue	**151,811**	128,812
Profit for the year	**4,080**	25,813

20. Investment securities

Group and Company	31.12.2012 RM'000	31.12.2011 RM'000
Available-for-sale ("AFS") investments:		
- Quoted shares, at fair value	**4,387**	18
- Unquoted investment, at fair value	**9,133**	17,718
	13,520	17,736

20. Investment securities (cont'd)

(a) Quoted shares, at fair value

The quoted shares at fair value as at 31 December 2012 comprise the investment in Republic Gold Limited, a company incorporated in Australia and Asian Mineral Resources Limited ("AMR"), a company incorporated in Canada. During the financial year, the Group and the Company recognised an impairment loss of RM12,000 (2011: RM29,000) in profit or loss for Republic Gold Limited as there was a "significant" or "prolonged" decline in the fair value of this investment.

AMR ceased to be an associate following the cessation of significant influence after the resignation of the Company's representatives from the Board of AMR in March 2012. As at 31 December 2012, the equity interest of the Company in AMR has been diluted to 6%. The investment in AMR was previously classified as investment in associates and joint controlled entities (Note 19).

(b) Unquoted investment, at fair value

The unquoted shares at fair value comprise 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 2012 has been determined based on an external valuation. The valuation assumes the economically recoverable tin reserves of 10,750 tonnes in the concession areas, with a tin price range of USD23,000 per tonne to USD25,500 per tonne during the forecasted production period from 2013 to 2018. The discount rate used in the valuation is 16%.

During the financial year, the Group and the Company recognised an impairment loss of RM8,585,000 (2011: RM16,602,000) in profit or loss as there was a "significant" or "prolonged" decline in the fair value of this investment.

21. Other non-current assets

Group	Deferred mine exploration and evaluation expenditure RM'000	Deferred mine development expenditure RM'000	Total RM'000
At 1 January 2012	**20,542**	**78,630**	**99,172**
Additions	**1,899**	**1,526**	**3,425**
Derecognition arising from change in Mining Law	**(8,234)**	**(5,115)**	**(13,349)**
Amortisation to profit or loss (Note 4)	**(1,568)**	**(15,341)**	**(16,909)**
Written off to profit or loss (Note 10)	**(7,037)**	**–**	**(7,037)**
Impairment loss recognised in profit or loss (Note 11)	**–**	**(53,970)**	**(53,970)**
Exchange differences	**(484)**	**(2,513)**	**(2,997)**
At 31 December 2012	**5,118**	**3,217**	**8,335**
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

21. Other non-current assets (cont'd)

Deferred mine exploration and evaluation expenditure and deferred mine development expenditure represent expenditures incurred on 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 area have not reached a stage that permits reasonable assessment of the existence of economically recoverable ore reserves and resources.

During the financial year, the project costs incurred under the Mining Co-operation Agreement with 2 Indonesian parties, which have been included under deferred mine exploration and evaluation expenditure and deferred mine development expenditure amounting to RM8,234,000 (2011:Nil) and RM5,115,000 (2011:Nil) respectively have been derecognised following the change in Mining Law in Indonesia.

22. Disposal group classified as held for sale

Divestment of disposal group classified as held for sale

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 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

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

The cash inflow 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 inflow 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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**142,795**	141,820	**142,967**	140,498
Other inventories (stores, spares, fuels, coal and saleable by-products)	**17,089**	31,587	**14,536**	16,036
	159,884	173,407	**157,503**	156,534
At net realisable value:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**83,708**	129,715	**–**	–
	243,592	303,122	**157,503**	156,534

During the year ended 31 December 2012, an amount of RM23,545,000 of tin slag inventory has been written down while during the year ended 31 December 2011, an amount of RM13,897,000 write down of tin slag inventory no longer required has been reversed. This expense/income has been included in costs of tin mining and smelting.

During the year ended 31 December 2012, an amount of RM17,912,000 of tin slag inventory and RM8,870,000 of other inventories have been written down to their respective net realisable values as the Contract of Work of PT Koba Tin, a subsidiary has expired after 31 March 2012.

24. Trade and other receivables

	Group		Company	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivables				
Deposits	**21,438**	–	**–**	–
Jointly controlled entity	**6,868**	4,523	**6,868**	4,523
	28,306	4,523	**6,868**	4,523
Current				
Trade receivables				
Third parties	**168,579**	227,293	**168,039**	227,293
Subsidiaries	**–**	–	**53,359**	–
Associate	**4,419**	1,815	**4,419**	1,815
	172,998	229,108	**225,817**	229,108
Allowance for impairment				
- Third parties	**(8,477)**	(8,515)	**(8,477)**	(8,515)
- Subsidiary	**–**	–	**(53,359)**	–
Trade receivables, net	**164,521**	220,593	**163,981**	220,593
Other receivables				
Third parties	**71,557**	100,947	**23,087**	13,501
Subsidiaries	**–**	–	**115,217**	109,550
Jointly controlled entity	**5**	12	**5**	12
	71,562	100,959	**138,309**	123,063
Allowance for impairment				
- Third parties	**(47,530)**	(14,288)	**(17,588)**	(7,641)
- Subsidiaries	**–**	–	**(73,999)**	(3,078)
Other receivables, net	**24,032**	86,671	**46,722**	112,344
Deposits	**1,261**	1,766	**766**	766
	25,293	88,437	**47,488**	113,110
Total trade and other receivables (current)	**189,814**	309,030	**211,469**	333,703
Total trade and other receivables (current and non-current) excluding deposits	**195,421**	311,787	**217,571**	337,460
Add: Cash and bank balances (Note 26)	**139,061**	235,697	**93,805**	178,367
Total loans and receivables	**334,482**	547,484	**311,376**	515,827

24. Trade and other receivables (cont'd)

(a) Credit risk

The Group's normal trade credit terms range from cash term 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 37(d).

(b) Deposits

In December 2010, the President of the Republic of Indonesia issued Government Regulation No.78 year 2010 regarding mine reclamation and closure, which requires a company to provide a mine closure guarantee in the form of a time deposit placed in an Indonesian state-owned bank.

On 1 March 2012, PT Koba Tin, a subsidiary received a letter from the Minister of Energy and Mineral Resources instructing it to place a mine closure guarantee of USD16,737,587 in the form of a time deposit with an Indonesian state-owned bank.

On 26 November 2012, PT Koba Tin placed its first deposit of the mine closure guarantee amounting to USD7,000,000 (RM21,438,000), which has been included under other receivables in non-current assets for the Group as at 31 December 2012 into a joint amount at PT Bank Negara Indonesia designated by the Minister of Energy and Mineral Resources. Such a deposit will be utilised in carrying out the rehabilitation of the mine subsequent to the cessation of the production of the mine, as disclosed in Note 27(b).

On 31 January 2013 and 1 February 2013, PT Koba Tin has placed its second deposit of USD3,550,000 (RM10,871,875) and its third and final deposit of USD6,187,587 (RM18,949,485) of the mine closure guarantee respectively into the joint account at PT Bank Negara Indonesia, as disclosed in Note 41(a).

(c) Amounts due from subsidiaries

Amounts due from subsidiaries included under other receivables of the Company are unsecured and repayable on demand. Included in amounts due from subsidiaries are unsecured advances to subsidiaries amounting to RM18.15 million (2011: RM104.80 million). Interest rates of 3.0% (2011: 3.0% and 4.0%) per annum are charged on these advances.

(d) Amount due from an associate

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

(e) Amount due from a jointly controlled entity

Amount due from a jointly controlled entity included under other receivables for the Group and the Company in non-current assets amounting to RM6,868,000 as at 31 December 2012 is due from Africa Smelting Corporation Sprl. This is an unsecured term loan bearing interest at a rate of 10% per annum with effect from 1 January 2013. This term loan is repayable in 12 equal quarterly instalments with effect from 1 April 2014.

Amount due from a jointly controlled entity, KM Resources, Inc. ("KMR") included under other receivables for the Group and the Company in non-current assets amounting to RM4,523,000 as at 31 December 2011 has been fully received during the financial year ended 31 December 2012.

Amount due from a jointly controlled entity included under other receivables for the Group and the Company in current assets comprises short term advances given to it for its working capital purposes. They are unsecured, interest free and repayable on demand.

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks of receivables are disclosed in Note 37.

24. Trade and other receivables (cont'd)

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

	Gross RM'000	Allowance for impairment losses RM'000	Net RM'000
Group			
At 31 December 2012			
Not past due	**180,476**	**–**	**180,476**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**318**	**–**	**318**
61 to 90 days	**–**	**–**	**–**
91 to 120 days	**41**	**–**	**41**
More than 120 days	**70,593**	**56,007**	**14,586**
	70,952	**56,007**	**14,945**
Total	**251,428**	**56,007**	**195,421**
At 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

24. Trade and other receivables (cont'd)

	Gross RM'000	Allowance for impairment losses RM'000	Net RM'000
Company			
At 31 December 2012			
Not past due	**267,064**	**58,731**	**208,333**
Past due:			
Less than 30 days			
30 to 60 days	**209**	**–**	**209**
61 to 90 days	**–**	**–**	**–**
91 to 120 days	**41**	**–**	**41**
More than 120 days	**103,680**	**94,692**	**8,988**
	103,930	**94,692**	**9,238**
Total	**370,994**	**153,423**	**217,571**
At 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

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 RM10,093,000 (2011: RM14,702,000) are to be settled via letters of credit issued by reputable banks in the countries where the customers are based.

Receivables that are past due but not impaired

The Group and the Company have trade and other receivables amounting to RM8,646,000 (2011: RM26,847,000) and RM2,939,000 (2011: RM 4,467,000) 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 movements of allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired			
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Trade and other receivables- nominal amounts	**74,717**	29,126	**177,917**	25,557
Less: Allowance for impairment	**(56,007)**	(22,803)	**(153,423)**	(19,234)
	18,710	6,323	**24,494**	6,323

Movement in the allowance accounts:

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
At 1 January	**22,803**	7,989	**19,234**	10,395
Impairment for the year (Notes 10 and 11)	**33,496**	14,808	**134,251**	8,936
Amounts written off	**–**	(143)	**–**	(143)
Exchange adjustment	**(292)**	149	**(62)**	46
At 31 December	**56,007**	22,803	**153,423**	19,234

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 for the Group and the Company is an amount of RM6,294,000 (2011: RM6,319,000) which is secured by a charge on the share of tribute of a tin mining concession.

25. Other current assets

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Prepaid operating expenses	**7,219**	4,570	**2,754**	4,362

26. Cash, bank balances and deposits

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Cash on hand and at banks	**16,881**	50,340	**7,827**	37,088
Deposits with:				
- licensed banks	**120,896**	148,406	**84,694**	139,706
- other financial institution	**–**	35,745	**–**	367
	137,777	234,491	**92,521**	177,161
Deposit of more than three months maturity with a licensed bank	**1,284**	1,206	**1,284**	1,206
	139,061	235,697	**93,805**	178,367

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 2012 for the Group and the Company were 2.7% (2011: 2.6%) and 2.5% (2011: 2.5%) respectively.

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

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Cash and short term deposits	**137,777**	234,491	**92,521**	177,161
Bank overdrafts (Note 28)	**(2,977)**	–	**–**	–
Cash and cash equivalents	**134,800**	234,491	**92,521**	177,161

Included in cash and cash equivalents of the Group and the Company is an amount of RM61,026,000 (2011: RM62,300,000), representing part of the proceeds from the secondary listing of the Company's shares in Singapore Exchange Securities Trading Limited ("SGX-ST"), reserved for the development of new mines through the selective acquisitions of suitable mining concessions or leases, as well as mining projects and assets primarily in Malaysia, Indonesia and other countries.

27. Provisions

Group	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Severance benefits	**10,458**	10,852	12,023
Mine rehabilitation	**42,994**	41,288	21,798
Mine restoration	**4,491**	2,721	2,591
	57,943	54,861	36,412
Employee benefits (Note 11)	**2,226**	–	–
Mining cessation liabilities (Note 11)	**20,653**	–	–
	80,822	54,861	36,412
Current	**39,816**	15,119	6,088
Non-current	**41,006**	39,742	30,324

27. Provisions (cont'd)

Company	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Current:			
Crystallisation of guarantee (Note 11)	**68,821**	–	–

Crystallisation of guarantee

The Company has issued a bank guarantee as security for outstanding bank borrowings of PT Koba Tin amounting to RM68,821,000 as at 31 December 2012. As the Contract of Work of PT Koba Tin has expired after 31 March 2013, the Company is obligated to repay the bank borrowings as PT Koba Tin is not in a position to repay the bank borrowings without the extension of its Contract of Work.

	Severance benefits RM'000	Mine rehabilitation RM'000	Mine restoration RM'000	Total RM'000
Group				
At 1 January 2012	**10,852**	**41,288**	**2,721**	**54,861**
(Reversal of provision)/Provision during the year, net (Notes 4 and 8)	**(2,912)**	**3,195**	**1,634**	**1,917**
Unwinding of discount on provision (Note 9)	**–**	**–**	**136**	**136**
Paid/Utilised during the year	**(208)**	**–**	**–**	**(208)**
Plan asset (Note 27(a)(i)	**2,851**	**–**	**–**	**2,851**
Exchange differences	**(125)**	**(1,489)**	**–**	**(1,614)**
At 31 December 2012	**10,458**	**42,994**	**4,491**	**57,943**
At 1 January 2011	12,023	21,798	2,591	36,412
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	10,852	41,288	2,721	54,861

27. Provisions (cont'd)

	Severance benefits RM'000	Mine rehabilitation RM'000	Mine restoration RM'000	Total RM'000
Group				
At 31 December 2012				
Current	**10,291**	**6,646**	**–**	**16,937**
Non-current:				
Later than 1 year but not later than 2 years	**–**	**36,251**	**–**	**36,251**
Later than 2 years but not later than 5 years	**–**	**97**	**–**	**97**
Later than 5 years	**167**	**–**	**4,491**	**4,658**
	167	**36,348**	**4,491**	**41,006**
	10,458	**42,994**	**4,491**	**57,943**
At 31 December 2011				
Current	495	14,624	–	15,119
Non-current:				
Later than 1 year but not later than 2 years	10,257	26,562	–	36,819
Later than 2 years but not later than 5 years	–	102	–	102
Later than 5 years	100	–	2,721	2,821
	10,357	26,664	2,721	39,742
	10,852	41,288	2,721	54,861
At 1 January 2011				
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	10,257	13,575	–	23,832
Later than 5 years	93	–	2,591	2,684
	10,350	17,383	2,591	30,324
	12,023	21,798	2,591	36,412

27. Provisions (cont'd)

(a) Severance benefits

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

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

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Present value of unfunded defined benefit obligations	**29,713**	47,154	39,640
Fair value of plan asset	**(20,295)**	(37,648)	(26,738)
Unrecognised actuarial gains	**1,040**	1,703	–
Unrecognised past service costs	**–**	(357)	(879)
Net liability	**10,458**	10,852	12,023
Analysed as:			
Current	**10,291**	495	1,673
Non-current:			
Later than 1 year but not later than 2 years	**–**	10,257	–
Later than 2 years but not later than 5 years	**–**	–	10,257
Later than 5 years	**167**	100	93
	167	10,357	10,350
	10,458	10,852	12,023

The amounts recognised in profit or loss are as follows:

	Group	
	2012 RM'000	**2011 RM'000**
Effect of curtailment and settlement	**(4,505)**	–
Current service cost	**2,528**	7,889
Interest cost	**1,892**	2,549
Net actuarial losses	**–**	511
Past services costs	**353**	2,146
Expected return on plan asset	**(3,180)**	(3,180)
Total, included in employee benefits expense (Note 8)	**(2,912)**	9,915

27. Provisions (cont'd)

(a) Severance benefits (cont'd)

Movements in the net liability are as follows:

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	**10,852**	12,023
Recognised in profit or loss (Note 8)	**(2,912)**	9,915
Contribution paid	**(208)**	(263)
Plan asset	**2,851**	(11,234)
Exchange differences	**(125)**	411
At 31 December	**10,458**	10,852

Movements in the fair value of plan asset:

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	**37,648**	26,738
Expected return	**3,180**	3,180
Contribution by employer	**633**	15,783
Funds withdrawal	**(3,484)**	(4,548)
Curtailment and settlement	**(8,412)**	–
Benefits paid	**(5,436)**	(4,137)
Actuarial losses	**(329)**	(242)
Exchange differences	**(3,505)**	874
At 31 December	**20,295**	37,648

Principal actuarial assumptions used:

	Group 31.12.2012 % per annum	Group 31.12.2011 % per annum
Discount rate	3.25 - 5.96	4.75 - 6.80
Expected rate of salary increases	7.00 - 10.00	7.00 - 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 (2011: 9.5% per annum).

27. Provisions (cont'd)

(b) Mine rehabilitation and mine restoration

The provision for mine rehabilitation and mine restoration is in respect of mine rehabilitation and mine restoration costs 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.

As at the reporting date, the carrying amount of the provision for the rehabilitation of PT Koba Tin's mine amounted to RM42,897,000 (2011: RM41,186,000). As disclosed in Note 24(b), PT Koba Tin has placed its first deposit of mine closure guarantee of RM21,438,000 as at 31 December 2012 which will be utilised in carrying out the rehabilitation of the mine subsequent to the cessation of production of the mine.

28. Borrowings

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Short term borrowings				
Unsecured:				
Bank overdrafts	**2,977**	–	**–**	–
Short term trade financing	**88,603**	73,919	**88,603**	73,919
Bankers' acceptances	**256,764**	376,403	**256,764**	376,403
Revolving credit	**52,063**	28,553	**–**	–
Revolving credit (restructured)	**15,313**	15,863	**15,313**	15,863
Term loan 1	**13,781**	26,173	**–**	–
Term loan 2	**–**	4,472	**–**	4,472
	429,501	525,383	**360,680**	470,657
Long term borrowings				
Unsecured:				
Revolving credit (restructured)	**7,656**	23,794	**7,656**	23,794
Term loan 1	**–**	14,276	**–**	–
	7,656	38,070	**7,656**	23,794
Total borrowings				
Unsecured:				
Bank overdrafts	**2,977**	–	**–**	–
Short term trade financing	**88,603**	73,919	**88,603**	73,919
Bankers' acceptances	**256,764**	376,403	**256,764**	376,403
Revolving credit	**52,063**	28,553	**–**	–
Revolving credit (restructured)	**22,969**	39,657	**22,969**	39,657
Term loan 1	**13,781**	40,449	**–**	–
Term loan 2	**–**	4,472	**–**	4,472
	437,157	563,453	**368,336**	494,451

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.

Term loan 1: Bank's Cost of Funds + 0.85% per annum

The term loan 1 is denominated in US Dollar and is repayable by 20 quarterly principal repayments commencing on 20 September 2008.

28. Borrowings (cont'd)

Term loan 2: Bank's Cost of Funds + 1% per annum

The term loan 2 is denominated in US Dollar and is repayable by 16 quarterly principal repayments commencing on 11 May 2009. The loan has been fully repaid during the financial year ended 31 December 2012.

The remaining maturities of the loans and borrowings as at 31 December 2012 are as follows:

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
On demand or within one year	**429,501**	525,383	**360,680**	470,657
More than 1 year and less than 2 years	**7,656**	30,139	**7,656**	15,863
More than 2 years and less than 5 years	**–**	7,931	**–**	7,931
	437,157	563,453	**368,336**	494,451

Other information on financial risks on borrowings are disclosed in Note 37.

29. Trade and other payables

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Current				
Trade payables				
Third parties	**51,574**	50,734	**38,419**	29,157
Subsidiaries	**–**	–	**10,169**	11,763
	51,574	50,734	**48,588**	40,920
Other payables				
Third parties	**57,825**	85,692	**12,103**	11,814
Holding company	**30**	47	**30**	47
Subsidiaries	**–**	–	**227**	64
Jointly controlled entity	**42,350**	29,166	**42,350**	29,166
	100,205	114,905	**54,710**	41,091
Accruals	**15,692**	13,337	**7,990**	5,757
	115,897	128,242	**62,700**	46,848
Total trade and other payables	**167,471**	178,976	**111,288**	87,768
Add: Loans and borrowings (Note 28)	**437,157**	563,453	**368,336**	494,451
Total financial liabilities carried at amortised cost	**604,628**	742,429	**479,624**	582,219

(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.

29. Trade and other payables (cont'd)

(c) Amount due to holding company

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

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks of payables are disclosed in Note 37.

(d) Amounts due to subsidiaries

Amounts 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 36.

Other information on financial risks of payables are disclosed in Note 37.

(e) Amount due to jointly controlled entity

Amount due to jointly controlled entity is non-interest bearing and is repayable on demand. The amount is unsecured and is to be settled in cash.

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks of payables are disclosed in Note 37.

30. Share capital and share premium

	Number of ordinary shares of RM1 each	←	Amount	→
	Share capital (issued and fully paid)	Share capital (issued and fully paid)	Share premium	Total share capital and share premium
	'000	RM'000	RM'000	RM'000
Group				
At 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 2011/1 January 2012/31 December 2012	100,000	100,000	76,372	176,372
Company				
At 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 2011/1 January 2012/31 December 2012	100,000	100,000	74,666	174,666

30. Share capital and share premium (cont'd)

	Number of ordinary shares of RM1 each		Amount	
	2012	2011	2012	2011
	'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 1 January 2011 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 in 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 2012	**18,678**	**10,551**	**–**	**(89)**	**29,140**
Other comprehensive income:					
Revaluation surplus on property, plant and equipment	**4,452**	**–**	**–**		**4,452**
Foreign currency translation	**–**	**(4,263)**	**–**	**–**	**(4,263)**
Cumulative fair value loss on available-for-sale investment securities	**–**	**–**	**(379)**	**–**	**(379)**
Net fair value changes on cash flow hedges					
- Net gain on fair value changes during the year	**–**	**–**	**–**	**615**	**615**
- Recognised in profit or loss:					
- Ineffective cash flow hedge (Note 7)	**–**	**–**	**–**	**(547)**	**(547)**
Income tax relating to components of other comprehensive income (Note 12)	**(298)**	**–**	**–**	**(17)**	**(315)**
	4,154	**(4,263)**	**(379)**	**51**	**(437)**
Transactions with owners:					
Realisation of revaluation reserves	**(3,016)**	**–**	**–**	**–**	**(3,016)**
At 31 December 2012	**19,816**	**6,288**	**(379)**	**(38)**	**25,687**

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

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	–	–	712	19,478
Other comprehensive income:					
Foreign currency translation	–	10,551	–	–	10,551
Net fair value changes on cash flow hedges					
- Net loss on fair value changes during the year	–	–	–	(1,578)	(1,578)
- Recognised in profit or loss:					
- Ineffective cash flow 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 reserves	(88)	–	–	–	(88)
At 31 December 2011	18,678	10,551	–	(89)	29,140

Company	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000	Total RM'000
At 1 January 2012	**5,020**	**–**	**(89)**	**4,931**
Other comprehensive income:				
Revaluation surplus on property, plant and equipment	**917**	**–**	**–**	**917**
Cumulative fair value loss on available-for-sale investment securities	**–**	**(379)**	**–**	**(379)**
Net fair value changes on cash flow hedges				
- Net gain on fair value changes during the year	**–**	**–**	**728**	**728**
- Recognised in profit or loss:				
- Ineffective cash flow hedge (Note 7)	**–**	**–**	**(606)**	**(606)**
Income tax relating to components of other comprehensive income (Note 12)	**(229)**	**–**	**(31)**	**(260)**
	688	**(379)**	**91**	**400**
At 31 December 2012	**5,708**	**(379)**	**2**	**5,331**

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

Company	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000	Total RM'000
At 1 January 2011	5,108	–	712	5,820
Other comprehensive income:				
Net fair value changes on cash flow hedges				
- Net loss on fair value changes during the year	–	–	(1,578)	(1,578)
- Recognised in profit or loss:				
- Ineffective cash flow 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 reserves	(88)	–	–	(88)
At 31 December 2011	5,020	–	(89)	4,931

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

(a) Revaluation reserves

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

(b) Foreign currency translation reserves

The foreign currency translation reserve account records 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.

As disclosed in Note 2.2 (ii), upon initial application of MFRS 1, at the date of transition to MFRS, the cumulative foreign translation differences of RM28,067,000 (31 December 2011: RM28,067,000) are deemed to be zero and were adjusted to retained earnings.

(c) Available-for-sale reserves

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

(d) Hedging reserves

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

32. Deferred tax

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
At 1 January	**(17,305)**	(10,786)	**(3,316)**	(1,256)
Recognised in profit or loss (Note 12)	**11,653**	(5,844)	**(1,185)**	(1,792)
Recognised in other comprehensive income (Note 12)	**315**	(268)	**260**	(268)
Exchange differences	**471**	(407)	**–**	–
At 31 December	**(4,866)**	(17,305)	**(4,241)**	(3,316)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(5,413)**	(17,950)	**(4,241)**	(3,316)
Deferred tax liabilities	**547**	645	**–**	–
	(4,866)	(17,305)	**(4,241)**	(3,316)

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
At 1 January 2012	**13,914**
Recognised in profit or loss	**(8,555)**
Recognised in other comprehensive income	**298**
Exchange difference	**(117)**
At 31 December 2012	**5,540**
At 1 January 2011	12,789
Recognised in profit or loss	969
Recognised in other comprehensive income	–
Exchange difference	156
At 31 December 2011	13,914
Company	
At 1 January 2012	**2,213**
Recognised in profit or loss	**273**
Recognised in other comprehensive income	**229**
At 31 December 2012	**2,715**
At 1 January 2011	1,894
Recognised in profit or loss	319
At 31 December 2011	2,213

32. Deferred tax (cont'd)

Deferred tax assets

Group	Unused tax losses and unabsorbed capital allowances RM'000	Receivables RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
At 1 January 2012	**–**	**(3,991)**	**(26,907)**	**(321)**	**(31,219)**
Recognised in profit or loss	**74**	**(35)**	**19,908**	**261**	**20,208**
Recognised in other comprehensive income	**–**	**–**	**–**	**17**	**17**
Exchange difference	**(74)**	**–**	**662**	**–**	**588**
At 31 December 2012	**–**	**(4,026)**	**(6,337)**	**(43)**	**(10,406)**
At 1 January 2011	(35)	(1,826)	(21,661)	(53)	(23,575)
Recognised in profit or loss	35	(2,165)	(4,683)	–	(6,813)
Recognised in other comprehensive income	–	–	–	(268)	(268)
Exchange difference	–	–	(563)	–	(563)
At 31 December 2011	–	(3,991)	(26,907)	(321)	(31,219)

Company	Receivables RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
At 1 January 2012	**(3,992)**	**(1,216)**	**(321)**	**(5,529)**
Recognised in profit or loss	**(36)**	**(1,698)**	**276**	**(1,458)**
Recognised in other comprehensive income	**–**	**–**	**31**	**31**
At 31 December 2012	**(4,028)**	**(2,914)**	**(14)**	**(6,956)**
At 1 January 2011	(1,829)	(1,268)	(53)	(3,150)
Recognised in profit or loss	(2,163)	52	–	(2,111)
Recognised in other comprehensive income	–	–	(268)	(268)
At 31 December 2011	(3,992)	(1,216)	(321)	(5,529)

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

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Unutilised tax losses	**205,051**	53,335

The unutilised tax losses of the Group comprise an amount of RM205,051,000 (2011: RM53,335,000) that arose from subsidiaries in Indonesia, which is subject to agreement by the tax authorities, which 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.

33. Derivative financial instruments

Derivative financial instruments included in the statements of financial position as at 31 December 2012 are as follows:

	Group/Company	
	Assets	Liabilities
At 31 December 2012	RM'000	RM'000
Interest rate swap contracts	**–**	**369**
Foreign currency forward contracts	**312**	**2**
Forward tin sales contracts	**–**	**114**
	312	**485**
Current	**312**	**116**
Non-current	**–**	**369**
At 31 December 2011		
Interest rate swap contracts	–	865
Foreign currency forward contracts	–	419
	–	1,284
Current	–	419
Non-current	–	865

These represent the fair value of:

(a) Interest rate swap contracts entered into for the purpose of managing interest rate risk. The fair value changes of these contracts 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 of these contracts are recognised in other comprehensive income and accumulated in equity under hedging reserves to the extent that the hedges are effective.

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

33. Derivative financial instruments (cont'd)

The Group has the following derivative financial instruments accounted as at 31 December 2012:

At 31 December 2012

(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
41.3	From January 2013 to May 2013	3.0772

The fair value gain of RM4,000 with a deferred tax expense of RM1,000 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts. The cash flow hedges of certain future forward contracts were assessed to be ineffective. Accordingly, the fair value gain of RM306,000 with a deferred tax expense of RM77,000 in respect of these contracts has been recognised in profit or loss.

Forward tin sales contracts designated as hedges against market fluctuations in tin prices:

Contract amount (USD million)	Range of maturity period	Average price
2.4	From January 2013 to June 2013	USD23,052 per tonne

The fair value loss of RM55,000 with a deferred tax income of RM13,750 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts. The cash flow hedges of certain future tin sale contracts were assessed to be ineffective. Accordingly, the fair value loss of RM59,000 with a deferred tax income of RM14,750 in respect of these contracts has been recognised in profit or loss.

(ii) Interest rate swap contract

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

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

As at 31 December 2012, a fair value loss of RM369,000 with a deferred tax income of RM92,000 relating to the interest rate swap contract has been recognised in profit or loss.

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 reserves (Note 31) in respect of these contracts. The cash flow 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 in respect of these contracts has been recognised in profit or loss.

33. 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 floating 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 has been recognised in profit or loss.

34. Capital commitments

	Group		Company	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Capital expenditure:				
Approved and contracted for:				
- Investment in an associate	**10,275**	10,535	**10,275**	10,535
- Property, plant and equipment	**4,304**	6,162	**3,044**	6,040
	14,579	16,697	**13,319**	16,575
Approved but not contracted for:				
- Property, plant and equipment	**483**	632	**–**	–

35. Contingent liabilities (unsecured)

At 31 December 2012, the Group and the Company have the following contingent liabilities:

Group

Since the takeover of Rahman Hydraulic Tin Sdn. Bhd. ("RHT") on 22 November 2004, 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. 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. 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 former director for a judicial review was also dismissed by the High Court. The former director further appealed to the Court of Appeal on 29 June 2009. A notice of motion to strike out the former director's appeal has been filed on 6 March 2012. Following the hearing held on 8 May 2012, the Court of Appeal has dismissed both the former director's appeal and the notice of motion to strike out the former director's appeal resulting in the case being struck off.

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

Group and Company

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 the Penang High Court allowing only part of its claim. The matter is fixed for case management on 24 April 2013.

The solicitor is of the view that the Company has a good chance of resisting the appeal.

36. 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	2012 RM'000	2011 RM'000
Associates/jointly controlled entities:			
- Sales of products	(i)	**48,369**	52,705
- Interest income	(ii)	**319**	1,772
Consulting fees paid to a director of a subsidiary		**60**	60
Secretarial fees payable to a foreign subsidiary's director		**65**	46

Company	Note	2012 RM'000	2011 RM'000
Subsidiaries:			
- Purchases of products	(iii)	**269,360**	650,482
- Interest income	(ii)	**556**	3,784
- Management fee received		**3,125**	1,993
- Advances given	(iv)	**74,464**	3,173
- Repayment of advances given		**8,572**	–
- Rental paid		**1,796**	1,796
- Interest expense		**28**	41
- Dividend		**15,246**	41,382
Associates/jointly controlled entities:			
- Sales of products	(i)	**48,369**	52,705
- Interest income	(ii)	**319**	1,772
- Shareholders' loans	(v)	**7,026**	–
- Advances received	(vi)	**14,136**	29,194
- Dividend		**28**	28

36. Related party disclosures (cont'd)

(a) Related party transactions (cont'd)

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

(ii) Interest income are receivable in respect of amounts due from subsidiaries, associate and jointly controlled entity. Further details are disclosed in Note 24(c), (d) and (e).

(iii) The purchases of products from subsidiaries have been made according to the market prices. Amount due to and due by subsidiaries on trade transaction are repayable on demand.

(iv) Advances given to certain subsidiaries are subject to interest as disclosed in Note 24(c).

(v) Shareholders' loans comprise an unsecured term loan given to a jointly controlled entity bearing an interest at 10% per annum as disclosed in Note 24(e).

(vi) Advances received are non-interest bearing and are repayable on demand.

Information regarding outstanding balances arising from related party transactions as at 31 December 2011 and 2012 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 is as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits	**8,038**	8,113	**4,776**	4,123
Post-employment benefits:				
- Defined contribution plan	**1,012**	887	**686**	549
	9,050	9,000	**5,462**	4,672

Included in the total compensation of key management personnel are:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 4)	2,191	2,588	1,769	1,961

37. 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.

37. 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 flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

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

The Group's policy is to manage its exposure to interest rate risk using floating rate for bank borrowings which can be swapped to fixed interest rate to mitigate its exposure where appropriate. The Group seeks to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group also enters into interest rate swap contracts 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 2012								
Fixed rate								
Amount due from a jointly controlled entity	24	**10.00**	**–**	**1,717**	**2,289**	**2,289**	**573**	**6,868**
Floating rate								
Cash and bank balances	26	**0.10 - 3.45**	**122,180**	**–**	**–**	**–**	**–**	**122,180**
Bank overdrafts	28	**5.20**	**2,977**	**–**	**–**	**–**	**–**	**2,977**
Short term trade financing	28	**0.73 - 1.30**	**88,603**	**–**	**–**	**–**	**–**	**88,603**
Bankers' acceptances	28	**3.42 - 3.97**	**256,764**	**–**	**–**	**–**	**–**	**256,764**
Revolving credits	28	**2.56 - 3.70**	**67,376**	**7,656**	**–**	**–**	**–**	**75,032**
Term loans	28	**3.82**	**13,781**	**–**	**–**	**–**	**–**	**13,781**

Company	Note	Range of interest rates % per annum	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Total RM'000
At 31 December 2012								
Fixed rate								
Amount due from a jointly controlled entity	24	**10.00**	**–**	**1,717**	**2,289**	**2,289**	**573**	**6,868**
Amount due from subsidiary	24	**3.00**	**18,145**	**–**	**–**	**–**	**–**	**18,145**
Floating rate								
Cash and bank balances	26	**0.10 - 3.45**	**85,978**	**–**	**–**	**–**	**–**	**85,978**
Short term trade financing	28	**0.73 - 1.30**	**88,603**	**–**	**–**	**–**	**–**	**88,603**
Bankers' acceptances	28	**3.42 - 3.97**	**256,764**	**–**	**–**	**–**	**–**	**256,764**
Revolving credits	28	**2.56**	**15,313**	**7,656**	**–**	**–**	**–**	**22,969**

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

(a) Interest rate risk (cont'd)

Group	Note	Range of interest rates % per annum	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Total RM'000
At 31 December 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
Company								
At 31 December 2011								
Fixed rate								
Amount due from a jointly controlled entity	24	4.00	–	–	4,523	–	–	4,523
Amounts due from subsidiaries	24	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

The Group and the Company have the following 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 2012:

At 31 December 2012

Notional Amount (USD Million)	:	7.5
Maturity Period	:	March 2014
Receive Floating Interest Rate	:	3 months London Inter-bank Offer Rate
Pay Fixed Interest Rate	:	2.47%

At 31 December 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%

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

(a) Interest rate risk (cont'd)

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's (loss)/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	(Increase)/ Decrease in loss net of tax RM'000
At 31 December 2012		
- Malaysian Ringgit	**+25**	**(287)**
	-25	**287**
- United States Dollar	**+25**	**(303)**
	-25	**303**

	Increase/ (Decrease) in basis point	(Increase)/ Decrease in profit net of tax RM'000
At 31 December 2011		
- Malaysian Ringgit	+25	(409)
	-25	409
- United States Dollar	+25	(225)
	-25	225

(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, Indonesian Rupiah, Australian Dollar and Singapore Dollar. 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 the concentration of its purchases and sales in United States Dollar, there is a natural hedge and the exposure to United States Dollar foreign exchange risk for business transactions is minimised. The Group also uses forward foreign exchange contracts to hedge its exposure to foreign exchange risk.

As at the reporting date, approximately:

(i) 95% (2011: 97%) of the Group's trade and other receivables as well as 81% (2011: 82%) of the Group's trade and other payables are denominated in foreign currencies, mainly in United States Dollar, Indonesia Rupiah, Australian Dollar and Singapore Dollar.

(ii) 19% (2011: 30%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar, Indonesia Rupiah and Australian Dollar.

(iii) 41% (2011: 33%) of the Group's borrowings are denominated in United States Dollar.

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

(b) Foreign currency risk (cont'd)

At 31 December 2012, 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. These forward currency contracts are 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 financial year ended 31 December 2012 was RM306,000 (2011: RM300,000) (see Note 33(i)).

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealised gain of RM4,000 (2011: net unrealized loss of RM119,000) with a deferred tax liability of RM1,000 (2011: deferred tax asset of RM30,000) relating to the hedging instruments is included in other comprehensive income (see Note 33(i)).

The amounts retained in other comprehensive income at 31 December 2012 are expected to mature and affect profit or loss by a gain of RM3,000 (2011: loss of RM89,000) in 2012.

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

		31.12.2012		31.12.2011	
		(Increase)/ Decrease in loss net of tax RM'000	(Decrease)/ Increase in equity RM'000	(Decrease)/ Increase in profit net of tax RM'000	(Decrease)/ Increase in equity RM'000
USD	strengthened 5%	(8,123)	(15,393)	(3,896)	(1,881)
	weakened 5%	8,158	15,423	3,718	1,801
AUD	strengthened 5%	23	(8)	18	–
	weakened 5%	(23)	8	(18)	–
IDR	strengthened 5%	(71)	(69)	(401)	(400)
	weakened 5%	76	76	443	442

(c) Liquidity risk

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

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

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

(c) Liquidity risk (cont'd)

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.

Group	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
At 31 December 2012				
Financial assets:				
Non-derivative				
Trade and other receivables	24	188,553	6,868	195,421
Interest receivable on advances		667	1,081	1,748
Cash, bank balances and deposits	26	139,061	–	139,061
Derivative				
Foreign currency forwards contracts	33	312	–	312
Total undiscounted financial assets		328,593	7,949	336,542
Financial liabilities:				
Non-derivative				
Borrowings	28	429,501	7,656	437,157
Interest payable on borrowings		3,027	49	3,076
Trade payables and other payables	29	167,471	–	167,471
Derivative				
Interest rate swap contracts	33	–	369	369
Foreign currency forward contracts	33	2	–	2
Forward tin sales contracts	33	114	–	114
Total undiscounted financial liabilities		600,115	8,074	608,189
Total net undiscounted financial liabilities		(271,522)	(125)	(271,647)

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

(c) Liquidity risk (cont'd)

Group	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
At 31 December 2011				
Financial assets:				
Non-derivative				
Trade and other receivables	24	307,264	4,523	311,787
Interest receivable on advances		–	189	189
Cash, bank balances and deposits	26	235,697	–	235,697
Total undiscounted financial assets		542,961	4,712	547,673
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				
Interest rate swap contracts	33	–	865	865
Foreign currency forward contracts	33	419	–	419
Total undiscounted financial liabilities		708,443	39,635	748,078
Total net undiscounted financial liabilities		(165,482)	(34,923)	(200,405)

Company	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
At 31 December 2012				
Financial assets:				
Non-derivative				
Trade and other receivables	24	**210,703**	**6,868**	**217,571**
Interest receivable on advances		**667**	**1,081**	**1,748**
Cash, bank balances and deposits	26	**93,805**	**–**	**93,805**
Derivative				
Foreign currency forward contracts	33	**312**	**–**	**312**
Total undiscounted financial assets		**305,487**	**7,949**	**313,436**

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

(c) Liquidity risk (cont'd)

Company	Note	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
Financial liabilities:				
Non-derivative				
Borrowings	28	**360,680**	**7,656**	**368,336**
Interest payable on borrowings		**719**	**49**	**768**
Trade and other payables	29	**111,288**	**–**	**111,288**
Derivative				
Interest rate swap contracts	33	**–**	**369**	**369**
Foreign currency forward contracts	33	**2**	**–**	**2**
Forward tin sales contracts	33	**114**	**–**	**114**
Total undiscounted financial liabilities		**472,803**	**8,074**	**480,877**
Total net undiscounted financial liabilities		**(167,316)**	**(125)**	**(167,441)**
At 31 December 2011				
Financial assets:				
Non-derivative				
Trade and other receivables	24	332,937	4,523	337,460
Interest receivable on advances		–	189	189
Cash, bank balances and deposits	26	178,367	–	178,367
Total undiscounted financial assets		511,304	4,712	516,016
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				
Interest rate swap contracts	33	–	865	865
Foreign currency forward contracts	33	419	–	419
Total undiscounted financial liabilities		560,228	25,153	585,381
Total net undiscounted financial liabilities		(48,924)	(20,441)	(69,365)

37. 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
At 31 December 2012			
Financial guarantees	**1,000**	**–**	**1,000**
At 31 December 2011			
Financial guarantees	1,000	–	1,000
Company			
At 31 December 2012			
Financial guarantees	**2,200**	**–**	**2,200**
At 31 December 2011			
Financial guarantees	71,200	–	71,200

(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 the cash deposits with reputable banks and financial institutions.

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

(d) Credit risk (cont'd)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposures to credit risk are 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.

The Group has a concentration of credit risk that may arise from exposures to a single debtor which constitutes approximately 37.1% (2011: 17.3%) of its trade receivables and 49.3% (2011: 34.2%) of its other receivables.

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

	31.12.2012		31.12.2011	
Group	**RM'000**	**% of total**	**RM'000**	**% of total**
By country:				
Australia	**2,702**	**1**	8,924	3
Canada	**9**	**–**	2,788	1
China, including Hong Kong and Taiwan	**28,096**	**14**	24,212	8
Indonesia	**62,621**	**32**	138,240	44
Malaysia	**13,461**	**7**	13,942	4
Philippines	**–**	**–**	22	–
Singapore	**(318)**	**–**	37,577	12
South Africa	**3,535**	**2**	51,941	17
United Kingdom	**68,278**	**35**	10,072	3
Others	**17,037**	**9**	24,069	8
	195,421	**100**	311,787	100

	31.12.2012		31.12.2011	
Company	**RM'000**	**% of total**	**RM'000**	**% of total**
By country:				
Australia	**3,237**	**1**	9,342	3
Canada	**9**	**–**	2,788	1
China, including Hong Kong and Taiwan	**28,096**	**13**	24,212	7
Indonesia	**64,061**	**29**	144,048	43
Malaysia	**33,638**	**15**	33,390	10
Philippines	**–**	**–**	22	–
Singapore	**(318)**	**–**	37,577	11
South Africa	**3,535**	**2**	51,941	15
United Kingdom	**68,278**	**31**	10,072	3
Others	**17,035**	**9**	24,068	7
	217,571	**100**	337,460	100

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

(d) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Information regarding trade 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 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.

Fuel is purchased at the spot rate available at the 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 in relation to forward tin sales contracts, if the forward tin price had increased by 5 percent, with all other variable held constant, no impact on loss net of tax for the year and other components of equity of the Group would have been RM 326,000 lower. Conversely, if the forward tin prices had decreased by 5 percent with all other variables held constant, loss net of tax and other components of equity of the Group would have been RM 46,000 lower and RM 282,000 higher respectively. At 31 December 2011, there was no outstanding forward tin sales contract.

(f) Market price risk

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

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments outside Malaysia are listed on Australian Securities Exchange in Australia and Toronto Stock Exchange in Canada. These instruments are 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 Available-for-sale reserves in equity would have been RM220,000 higher. If the share price has been 5% lower, with all other variables held constant, the Group's Available-for-sale reserves in equity would have been RM220,000 lower.

(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.

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

(g) Capital management (cont'd)

The Company maintains a Group Gearing ratio (total bank borrowings: tangible networth) of not more than 3.0.

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Share capital	**100,000**	100,000	75,000
Share premium	**76,372**	76,372	1,706
Other reserves	**25,687**	29,140	19,478
Retained earnings	**30,786**	213,541	164,180
Reserve of disposal group classified as held for sale	**–**	–	(3,256)
Total shareholders' equity	**232,845**	419,053	257,108
Non-controlling interests	**(33,791)**	32,987	40,060
Total equity	**199,054**	452,040	297,168
Less: Intangible assets (Note 17)	**8,675**	1,721	1,547
Tangible networth	**190,379**	450,319	295,621
Total borrowings (Note 28)	**437,157**	563,453	701,040
Gearing ratio as defined above	**2.3**	1.3	2.4

38. 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			
	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
At 31 December 2012				
Financial assets:				
Available-for-sale financial assets (Note 20)				
- Equity instruments (quoted)	**4,387**	**–**	**–**	**4,387**
- Equity instruments (unquoted)	**–**	**–**	**9,133**	**9,133**
Derivatives (Note 33)				
- Foreign currency forward contracts	**–**	**312**	**–**	**312**
	4,387	**312**	**9,133**	**13,832**

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

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

	Group and Company			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
At 31 December 2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities:				
Derivatives (Note 33)				
- Interest rate swap contracts	**–**	**369**	**–**	**369**
- Foreign currency forward contracts	**–**	**2**	**–**	**2**
- Forward tin sales contracts	**–**	**114**	**–**	**114**
	–	**485**	**–**	**485**

	Group and Company			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
At December 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets:				
Available-for-sale financial assets (Note 20)				
- Equity instruments (quoted)	18	–	–	18
- Equity instruments (unquoted)	–	–	17,718	17,718
	18	–	17,718	17,736
At 31 December 2011				
Financial liabilities:				
Derivatives (Note 33)				
- Interest rate swap contracts	–	(865)	–	(865)
- Foreign currency forward contracts	–	(419)	–	(419)
	–	(1,284)	–	(1,284)

<u>Fair value hierarchy</u>

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

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., 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 31 December 2012 and 2011.

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

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

Determination of fair value

Quoted equity instruments: Fair value is determined directly by reference to the published market 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 2011	34,320
Impairment loss recognised in profit or loss under Exceptional items (Note 20)	(16,602)
At 31 December 2011	17,718
Impairment loss recognised in profit or loss under Exceptional items (Note 20)	(8,585)
At 31 December 2012	9,133

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 December 2012.

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:

At 31 December 2012

		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)	**9,133**	**395**	**(395)**	**(148)**	**151**

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

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

At 31 December 2011

Group and Company	Carrying amount	Effect of reasonably possible alternative assumptions: Effect of change in tin price +1%	-1%	Effect of change in discount rate +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 flows 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
Borrowings (current)	28
Borrowings (non-current)	28
Trade and other payables (current)	29

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

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

39. 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 and the sale and delivery of refined tin metal and by-products.

39. Segmental information (cont'd)

(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.

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

2012	Note	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue						
Sales to external customers		2,315,096	13,585	7	–	2,328,688
Inter-segment sales		8	269,360	1,798	(271,166)	–
Total revenue		2,315,104	282,945	1,805	(271,166)	2,328,688
Results						
Profit/(Loss) from operations		67,944	(118,295)	(491)	(212)	(51,054)
Finance costs	9	(10,982)	(3,242)	(2,776)	–	(17,000)
Share of profit/(loss) of associates and jointly controlled entities		(349)	–	5,704	–	5,355
Profit/(Loss) before exceptional items		56,613	(121,537)	2,437	(212)	(62,699)
Exceptional items	11	(11,261)	(127,817)	(6,600)	–	(145,678)
Profit/(Loss) before tax		45,352	(249,354)	(4,163)	(212)	(208.377)
Income tax expense	12	(15,840)	(13,922)	(222)	53	(29,931)
Profit/(Loss) net of tax		29,512	(263,276)	(4,385)	(159)	(238,308)
At 31 December 2012						
Assets						
Segment assets		490,572	234,003	4,538	(1,266)	727,847
Investment in associates and jointly controlled entities		1,274	–	160,829	–	162,103
Total assets		491,846	234,003	165,367	(1,266)	889,950
Liabilities						
Segment liabilities		474,109	216,231	1,005	(449)	690,896

39. Segmental information (cont'd)

Business segments (cont'd)

2012	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	**6,387**	**5,481**	–	–	**11,868**
- Intangible and other assets	17/21	–	**11,325**	–	–	**11,325**
Depreciation	15	**2,463**	**14,312**	–	–	**16,775**
Amortisation of prepaid land lease payments	4	**26**	**29**	–	–	**55**
Amortisation of mining rights	4	–	**900**	–	–	**900**
Amortisation of corporate club membership	4	–	**5**	**41**	–	**46**
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure	4	–	**16,909**	–	–	**16,909**
Deferred mine exploration and evaluation expenditure written off	10	–	**7,037**	–	–	**7,037**
Other significant non-cash expenses:						
- Provision for mine rehabilitation	4	–	**3,195**	–	–	**3,195**
- Provision for inventory obsolescence	4	–	**2,598**	–	–	**2,598**
- Write down of tin slag inventory	4	–	**23,545**	–	–	**23,545**
Reversal of provision for severance benefits, net	4	–	**(2,912)**	–	–	**(2,912)**
Interest income	6	**(11,648)**	**(1,396)**	–	–	**(13,044)**
<u>Impairment and provisions related to expiry of CoW</u>						
- Impairment of property, plant and equipment	11	–	**9,860**	–	–	**9,860**
- Impairment of deferred mine development	11	–	**53,970**	–	–	**53,970**
- Write down of inventories	11	–	**26,782**	–	–	**26,782**
- Impairment of receivables	11	**9,188**	**5,741**	–	–	**14,929**
- Provision for employee benefits	11	–	**2,226**	–	–	**2,226**
- Provision for mining cessation liabilities	11	–	**20,653**	–	–	**20,653**

39. 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
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 items		70,298	23,948	19,158	3,026	116,430
Exceptional items	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
At 31 December 2011						
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	244,743	1,019	(449)	819,819

39. Segmental information (cont'd)

Business segments (cont'd)

2011	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	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	4	27	47	–	–	74
Amortisation of mining rights	4	–	132	–	–	132
Amortisation of corporate club membership	4	–	4	40	–	44
Amortisation of deferred exploration and evaluation expenditure and deferred mine development expenditure	4	–	29,698	–	–	29,698
Other significant non-cash expenses:						
- Provision for severance benefits	4	–	9,895	20	–	9,915
- Provision for mine rehabilitation	4	–	18,247	–	–	18,247
Reversal of write down of tin slag inventory no longer required	4	–	(13,897)	–	–	(13,897)
Interest income	6	(11,360)	(1,607)	–	–	(12,967)

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

	Group 2012 RM'000	Group 2011 RM'000
Elimination of unrealised (losses)/profits on the inventories on hand arising from inter-segment purchases	**(212)**	3,026

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

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
Elimination of unrealised losses on the inventories on hand and its deferred tax arising from inter-segment purchases	**(817)**	(658)
Elimination of inter-segment rental deposit	**(449)**	(449)
	(1,266)	(1,107)

39. 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.

2012	Malaysia RM'000	Indonesia RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue				
Sales to external customers	**2,315,103**	**13,585**	**–**	**2,328,688**
Inter-segment sales	**–**	**132,973**	**(132,973)**	**–**
Total revenue	**2,315,103**	**146,558**	**(132,973)**	**2,328,688**
At 31 December 2012				
Non-current assets	**94,316**	**6,077**	**–**	**100,393**

2011	Malaysia RM'000	Indonesia RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
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
At 31 December 2011				
Non-current assets	75,551	121,974	–	197,525

Non-current assets information presented above consist of non-current assets other than investment in associates and jointly controlled entities, investment securities, 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 RM311,169,000 and RM298,347,000 (2011: RM480,266,000 and RM332,232,000), arising from sales by the tin smelting segment.

40. Significant events

The following significant events occurred during the financial year ended 31 December 2012:

(a) 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.

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

(i) Facilitating greater local Indonesian participation in PT Koba Tin by way of increased equity ownership and management through an Indonesian affiliate company of OSRL;

(ii) Securing the PT Koba Tin's 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 Tin's 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.

On 4 July 2012, the Company further announced that an addendum agreement to the SAA was made in view of the latest developments at PT Koba Tin in Indonesia whereby OSRL's shareholding in BCL shall be increased from 50% to 60% by way of a single subscription of shares. The OSRL subscription for the 60% shareholding in BCL will however only become effective upon PT Koba Tin obtaining the approval for the CoW extension.

(b) Asian Mineral Resources Limited ("AMR") ceased to be an associate following the cessation of significant influence after the resignation of the Company's representatives from the Board of AMR in March 2012. The investment in AMR was classified as investment securities. As at 31 December 2012, the equity interest of the Company in AMR has been diluted to 6%.

(c) On 5 June 2012, the Company announced that it has entered into a Sales and Purchase Agreement ("SPA") to acquire a 40% stake in Africa Smelting Corporation Sprl ("ASC") for USD400,000. ASC is a private limited company incorporated in Democratic Republic of Congo ("DRC") where it is to own and operate a tin smelting facility in Lubumbashi, Katanga, DRC with an issued capital of 1,000 shares of USD1,000 each. ASC became a 40% owned jointly controlled entity in the 2nd quarter of the financial year ended 31 December 2012.

41. Subsequent events

(a) On 31 January 2013 and 1 February 2013, PT Koba Tin, a subsidiary has placed its second deposit of USD3,550,000 (RM10,871,875) and its third and final deposit of USD6,187,587 (RM18,949,485) of the mine closure guarantee respectively into the joint account at PT Bank Negara Indonesia, as disclosed in Note 24(b).

(b) On 2 April 2013, the Company announced that PT Koba Tin, a subsidiary has received notification from the Government of Republic of Indonesia ("GOI") that it is still continuing with its evaluation for the extension of PT Koba Tin's Contract of Work ("CoW") which expired after 31 March 2013. In the meantime, the GOI has given permission to PT Koba Tin to continue undertaking production operations until the completion of its evaluation up to a maximum period of three months with effect from 1 April 2013.

(c) On 3 April 2013, the Company's subscription, via a non-brokered private placement, for 6,500,000 new common shares which constitute a 4.84% shareholding interest in Alphamin Resources Corp. ("Alphamin") for a total purchase consideration of approximately RM3.93 million, has been duly accepted. Alphamin is a Toronto Venture Exchange listed, Canadian-based mineral exploration company targeting tin and these securities are subject to a hold period of up to 4 August 2013.

42. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 26 April 2013.

Supplementary Information

43. 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 2012 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	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total (accumulated losses)/retained profits of the Company and its subsidiaries:				
- Realised	**(24,048)**	209,083	**(149,753)**	98,292
- Unrealised	**(11,734)**	1,917	**137,212**	138,979
	(35,782)	211,000	**(12,541)**	237,271
Total share of accumulated losses/(retained profits) from associated companies:				
- Realised	**(6,696)**	(7,842)	**–**	–
- Unrealised	**250**	121	**–**	–
Total share of retained profits/(accumulated losses) from jointly controlled entities:				
- Realised	**42,467**	38,452	**–**	–
- Unrealised	**(11,725)**	(11,790)	**–**	–
	(11,486)	229,941	**(12,541)**	237,271
Add: Consolidation adjustments	**42,272**	(16,400)	**–**	–
Retained profits/(Accumulated losses) as per financial statements	**30,786**	213,541	**(12,541)**	237,271

Reconciliations of MFRSs 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 Malaysian Financial Reporting Standards ("MFRSs"). The reconciliations between MFRSs 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.

MFRSs 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 are discussed below.

(a) Foreign currency translation reserves

Under Singapore FRS, the translation differences on foreign operations are recognised as a separate component of equity. MFRS 1 provides the optional exemption that cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS – 1 January 2011, the cumulative foreign currency translation differences of RM28,067,000 (31 December 2011: RM28,067,000; 31 December 2012: RM28,067,000) were adjusted to retained earnings.

(b) Employee benefits

Under Singapore FRS, actuarial gains and losses outside a pre-determined range (referred to as the corridor) are recognised in profit or loss in future periods over the expected average remaining working lives of the employees participating in the plan. Actuarial gains and losses within the corridor need not be recognised although the entity may choose to recognise it.

MFRS 1 provides the optional exemption to recognise all cumulative actuarial gains and losses at the date of transition.

Accordingly, at the date of transition to MFRS – 1 January 2011, the cumulative actuarial losses of RM10,257,000 (31 December 2011: RM10,257,000; 31 December 2012: RM10,257,000) were adjusted to retained earnings and non-controlling interests.

(c) Investment in subsidiaries

The Company has previously adopted a cost model for its investment in subsidiaries. In the Company's separate financial statements, investments in subsidiaries are measured at cost less impairment losses.

MFRS 1 provides the optional exemption for the Company to measure its investment in subsidiaries at cost (determined in accordance with MFRS 127) or deemed cost (fair value or carrying amount recorded under FRS) at the date of transition to MFRS.

The Company regards the fair value as at 1 January 2011 as the deemed cost for its investment in Rahman Hydraulic Tin Sdn. Bhd. Accordingly, at the date of transition to MFRS, the excess of fair value over the carrying amount of RM133,356,000 (31 December 2011: RM133,356,000; 31 December 2012: RM133,356,000) were adjusted to retained earnings.

Singapore FRSs has not adopted these MFRS 1 optional exemptions. The reconciliations of equity for comparative periods and at the date of transition from MFRSs to Singapore FRSs are provided below:

(i) Reconciliation of equity as at 1 January 2011 (date of transition to MFRS)

Group	MFRS as at 01.01.2011	Note (a) Foreign currency translation reserves	Note (b) Employee benefits	Singapore FRS as at 01.01.2011
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Provisions	30,324	–	(10,257)	20,067
Equity				
Foreign currency translation reserves	–	(28,067)	–	(28,067)
Retained earnings	164,180	28,067	7,693	199,940
Non-controlling interests	40,060	–	2,564	42,624

(i) Reconciliation of equity as at 1 January 2011 (date of transition to MFRS) (cont'd)

Company	MFRS as at 01.01.2011 RM'000	Note (c) Investment in subsidiaries RM'000	Singapore FRS as at 01.01.2011 RM'000
Non-current assets			
Investment in subsidiaries	222,081	(133,356)	88,725
Equity			
Retained earnings	209,831	(133,356)	76,475

(ii) Reconciliation of equity as at 31 December 2011

Group	MFRS as at 31.12.2011 RM'000	Note (a) Foreign currency translation reserves RM'000	Note (b) Employee benefits RM'000	Singapore FRS as at 31.12.2011 RM'000
Non-current liabilities				
Provisions	39,742	–	(10,257)	29,485
Equity				
Foreign currency translation reserves	10,551	(28,067)	–	(17,516)
Retained earnings	213,541	28,067	7,693	249,301
Non-controlling interests	32,987	–	2,564	35,551

Company	MFRS as at 31.12.2011 RM'000	Note (c) Investment in subsidiaries RM'000	Singapore FRS as at 31.12.2011 RM'000
Non-current assets			
Investment in subsidiaries	222,081	(133,356)	88,725
Equity			
Retained earnings	237,271	(133,356)	103,915

(iii) Reconciliation of equity as at 31 December 2012

Group	MFRS as at 31.12.2012 RM'000	Note (a) Foreign currency translation reserves RM'000	Singapore FRS as at 31.12.2012 RM'000
Equity			
Foreign currency translation reserves	6,288	(28,067)	(21,779)
Retained earnings	30,786	28,067	58,853

Company	MFRS as at 31.12.2012 RM'000	Note (c) Investment in subsidiaries RM'000	Singapore FRS as at 31.12.2012 RM'000
Non-current assets			
Investment in subsidiaries	148,681	(133,356)	15,325
Equity			
Accumulated losses	(12,541)	(133,356)	(145,897)

Variance between Audited and Unaudited Results

For the financial year ended 31 December 2012

The Group's loss after taxation and non-controlling interests for the financial year ended 31 December 2012 has deviated significantly from the unaudited loss after taxation and non-controlling interests of RM61.114 million as reported on 26 February 2013. The audited total loss after taxation and non-controlling interests for the financial year ended 31 December 2012 now amounts to RM172.271 million.

The deviation is reconciled and explained as set out below:

	Group	
	RM'000	**RM'000**
Unaudited loss after taxation and non-controlling interests as previously announced		61,114
Add/(Less):		
Impairment and provisions related to expiry of PT Koba Tin's Contract of Work		
- Impairment of property, plant and equipment	9,860	
- Impairment of deferred mine development expenditure	53,970	
- Write down of inventories	26,782	
- Impairment of receivables	14,929	
- Provision for employee benefits	2,226	
- Provision for mining cessation liabilities	20,653	
	128,420	128,420
Taxation		
- Impairment of tax recoverable	1,017	
- Reversal of deferred tax assets	15,710	
	16,727	16,727
Net adjustment after taxation		145,147
Less: Non-controlling interests		(33,990)
Net adjustment after taxation and non-controlling interests		111,157
Audited loss after taxation and non-controlling interests		172,271

The deviation resulted from the impairment losses and provisions made as the Contract of Work ("CoW") of PT Koba Tin, a 75% owned subsidiary of MSC, has expired after 31 March 2013.

In the announcement made on 26 February 2013, it was stated that "in the event the CoW is not renewed by 31 March 2013, it will have an adverse impact on the Company's investment and contingent liabilities totalling approximately RM150 million in PT Koba Tin."

In the announcement made on 2 April 2013, it was stated that PT Koba Tin has received a notification from the Government of Republic of Indonesia ("GOI") that it is still continuing with its evaluation for the extension of the CoW. In the meantime, the GOI has given permission to PT Koba Tin to continue undertaking production operations until the completion of its evaluation up to a maximum period of three months with effect from 1 April 2013.

In the event that the extension of the CoW (or an alternative mine operating licence) is granted, a substantial amount of the impairment of assets and provisions for liabilities recognised in profit or loss may have to be reversed, depending inter alia on the specific terms and conditions of such grant and on the circumstances prevailing at that time.

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 2012 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	19,690	–	Fully utilised
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	1,274	61,026	Three (3) years (by Feb 2014)
General working capital	13,340	13,340	–	Fully utilised
Estimated expenses in relation to the public issue and secondary listing	8,860	8,689	–	Fully utilised
Total	104,190	42,993	61,026	

List of Properties of the Group 31 December 2012

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net book value at 31.12.12 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	–	8 to over 50 years	28,875	2012
(b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	25 years	370	2012
(c) PT 686	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2069	NA	124	2012
2. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	13 years	2,400	2012
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	–	13 years	2,600	2012
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	12 years	4,000	2012
5. Mukim Belukar Semang and Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 45 years	216	2012
(b) Lot 1886	Vacant Land	0.4 hectares	Freehold	–	–	12	2012
(c) PT 4338, 3934, 725, 726, 727 (formerly Lot 1868, 2163, 2546, 2547, 2548 respectively), Lot 2071, 4160	Land with buildings	14.35 hectares	Leasehold	2013 - 2111	31 to over 50 years	286	2012
(d) PT 1705,1706 & 1707	3 units of terrace houses	417 sq. m	Leasehold	2108	2 years	337	2012
INDONESIA							
6. PT Koba Tin Bangka Island	Offices, factory buildings and houses on mining lease	41,680.3 hectares	Mining lease	2013	15 to 40 years	–	2012
7. PT MSC Indonesia Bangka Island	Land & buildings	17,094 sq. ft.	Leasehold (Land Rights)	2034	18 to 23 years	801	2012
8. PT MSC Indonesia Bangka Island	Land & buildings	215,278 sq. ft.	Leasehold (Land Rights)	2019	7 years	941	2012

Tin Statistics

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

Destination	2007	2008	2009	2010	2011	2012
Africa	957	937	220	65	380	**181**
Australia & New Zealand	21	28	66	–	5	**6**
China	220	317	806	315	1,325	**2,755**
E.E.C. (incl. UK)	1,457	1,536	1,534	2,290	2,467	**1,435**
India, Pakistan & Bangladesh	1,521	1,490	811	240	3,140	**3,420**
Japan	2,639	3,780	1,650	1,669	1,633	**1,819**
Middle East	532	156	363	510	687	**722**
Taiwan	1,345	2,351	1,596	1,809	1,291	**1,169**
Korea	5,776	6,890	8,482	9,079	7,905	**6,870**
Rest of Asia Pacific	–	292	150	360	180	**130**
Singapore	4,968	5,811	3,175	1,300	380	**1,910**
South America	–	–	–	–	500	**–**
U.S.A.	–	123	93	14	1,060	**1,900**
	19,436	**23,711**	**18,946**	**17,651**	**20,953**	**22,317**
Malaysia (for domestic consumption) * Include tin deliveries to LME warehouses in Pasir Gudang.	3,334	7,571	17,797	21,517	18,504	**15,696**
Total	**22,770**	**31,282**	**36,743**	**39,168**	**39,457**	**38,013**

LME and US DLA's Stocks & Disposals
(In Tonnes)

PERIOD END	LME STOCKS *
2012	
1st. Quarter	13,080
2nd Quarter	12,260
3rd Quarter	12,255
4th Quarter	12,825

DLA STOCKS #	
Opening stock at 01.01.2012	4,020
Disposal during the year	–
Closing stock at 31.12.2012	4,020

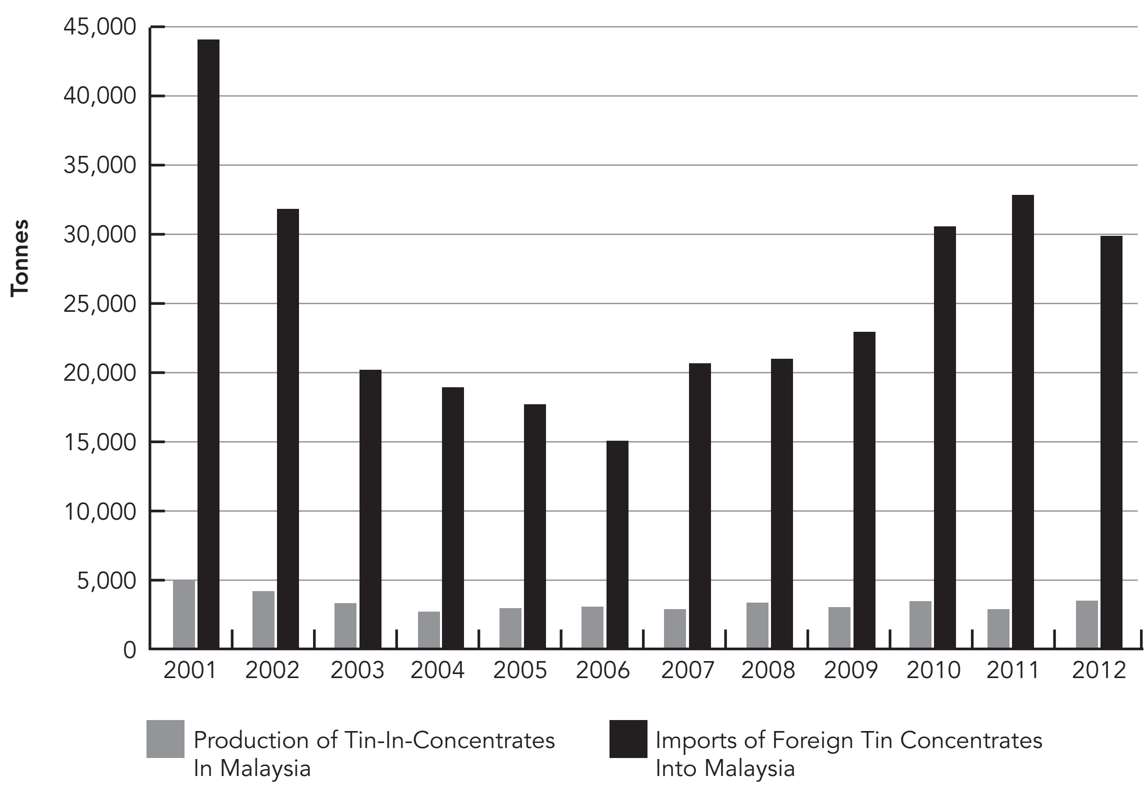
Sources : * Metal Bulletin
US Geological Survey - uncommitted stock

Tin Statistics *(cont'd)*

Production of Tin-In-Concentrates In Malaysia	
Year	**Tonnes**
2001	4,972
2002	4,215
2003	3,358
2004	2,746
2005	3,013
2006	2,398
2007	2,264
2008	2,606
2009	2,380
2010	2,668
2011	3,344
2012	3,725

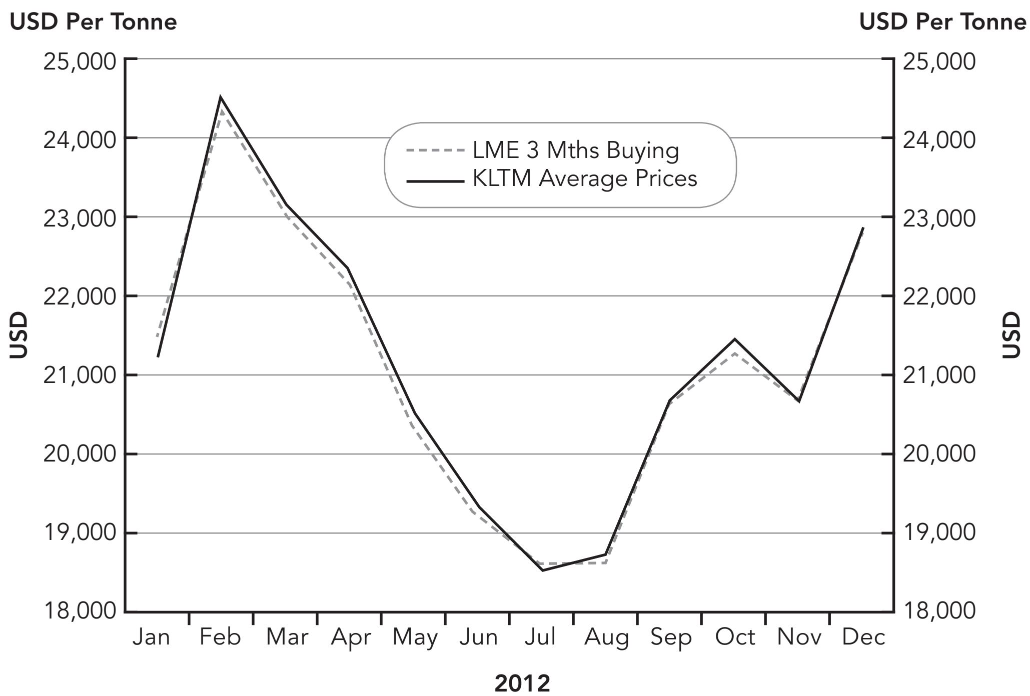
Imports of Foreign Tin Concentrates Into Malaysia	
Year	**Tonnes**
2001	44,410
2002	31,788
2003	20,183
2004	18,916
2005	17,708
2006	15,064
2007	20,643
2008	20,987
2009	22,928
2010	31,359
2011	33,031
2012	29,719

Malaysia Production and Import of Tin-In-Concentrates



	KLTM Prices Highest USD per tonne	Lowest USD per tonne	Average USD per tonne	KLTM Turnover (Tonnes)	LME 3 mths Buying Average USD per tonne
2004	9,890	6,420	8,493	19,323	8,347
2005	8,580	6,050	7,355	19,427	7,337
2006	12,000	6,600	8,765	13,857	8,713
2007	17,250	10,050	14,523	14,757	14,500
2008	25,400	9,850	18,438	18,077	18,434
2009	16,800	10,130	12,493	16,900	13,341
2010	27,000	15,395	18,859	15,599	20,400
2011	33,300	18,560	26,177	11,387	26,100
2012	25,500	17,300	21,163	10,206	21,100
2012					
January	24,350	19,300	21,252	1,423	21,475
February	25,500	23,800	24,479	916	24,360
March	24,100	22,250	23,185	918	23,034
April	23,300	21,300	22,324	746	22,136
May	22,300	19,350	20,524	734	20,357
June	19,900	18,600	19,340	856	19,232
July	19,000	17,300	18,524	874	18,595
August	20,700	17,650	18,698	835	18,630
September	21,550	19,500	20,668	692	20,642
October	22,500	20,000	21,444	677	21,275
November	21,700	20,200	20,655	815	20,658
December	23,630	21,700	22,857	720	22,809

Tin Market Prices



Shareholdings Statistics
as at 17 April 2013

ANALYSIS BY SIZE OF SHAREHOLDINGS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
less than 100	18	0.39	626	0.00
100 to 1,000	2,032	44.20	1,362,874	1.36
1,001 to 10,000	2,002	43.55	8,711,400	8.71
10,001 to 100,000	474	10.31	14,327,800	14.33
100,001 to less than 5% of issued shares	67	1.46	24,736,500	24.74
5% and above of issued shares	4	0.09	50,860,800	50.86
TOTAL	**4,597**	**100.00**	**100,000,000**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	NAME	HOLDINGS	%
1.	MAYBANK 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.	SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	5.40
5.	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	2,270,700	2.27
8.	QUARRY LANE SDN BHD	860,000	0.86
9.	2G CAPITAL PTE LTD	697,500	0.70
10.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD. AJIB BIN HJ. ANUAR	659,000	0.66
11.	TOH YEW KEONG	650,000	0.65
12.	AU YONG MUN YUE	575,000	0.58
13.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD FOR FONG SILING	500,000	0.50
14.	TOH YEW KEONG	410,000	0.41
15.	MAYBEST ENTERPRISE SDN BHD	409,800	0.41
16.	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	403,800	0.40
17.	CHEW GEK KHIM	400,000	0.40
18.	VISION CAPITAL PRIVATE LIMITED	400,000	0.40
19.	LEE PIN	391,000	0.39
20.	LEE CHEOW YIN	388,000	0.39

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

	NAME	HOLDINGS	%
21.	LIM GAIK BWAY @ LIM CHIEW AH	380,300	0.38
22.	DBS VICKERS SECS (S) PTE LTD FOR LEE CHEOW YIN	354,000	0.35
23.	WONG AH WAH @ WONG FONG FUI	350,000	0.35
24.	LIM KHOON	325,000	0.33
25.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	309,700	0.31
26.	YEOH AH TU	300,000	0.30
27.	REDRING SOLDER (MALAYSIA) SDN BHD	285,000	0.29
28.	LIM KIAN SIONG	281,800	0.28
29.	AU YONG MUN YUE	269,000	0.27
30.	KUEK SIAW KIA @ QUEK SHIEW POH	254,900	0.25

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	27,205,800	27.21
STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	17,374,500	17.37		
SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	5.40		
THE CAIRNS PRIVATE LIMITED			55,295,800	55.30
TECITY PRIVATE LIMITED			55,295,800	55.30
RAFFLES INVESTMENT PRIVATE LIMITED			55,295,800	55.30
AEQUITAS PRIVATE LIMITED			55,295,800	55.30
DR TAN KHENG LIAN			55,295,800	55.30

Proxy Form | Malaysia Smelting Corporation Berhad (43072) *(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 Wednesday, 29 May 2013 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	Re-election of Director – Mr Norman Ip Ka Cheung		
3	Re-election of Director – Mr Mark Christopher Greaves		
4	Re-election of Director – Dato' Ng Jui Sia		
5	Approval of Directors' Fees		
6	Reappointment of Auditors		
7	Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

Dated this ______________ day of ______________ 2013.

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

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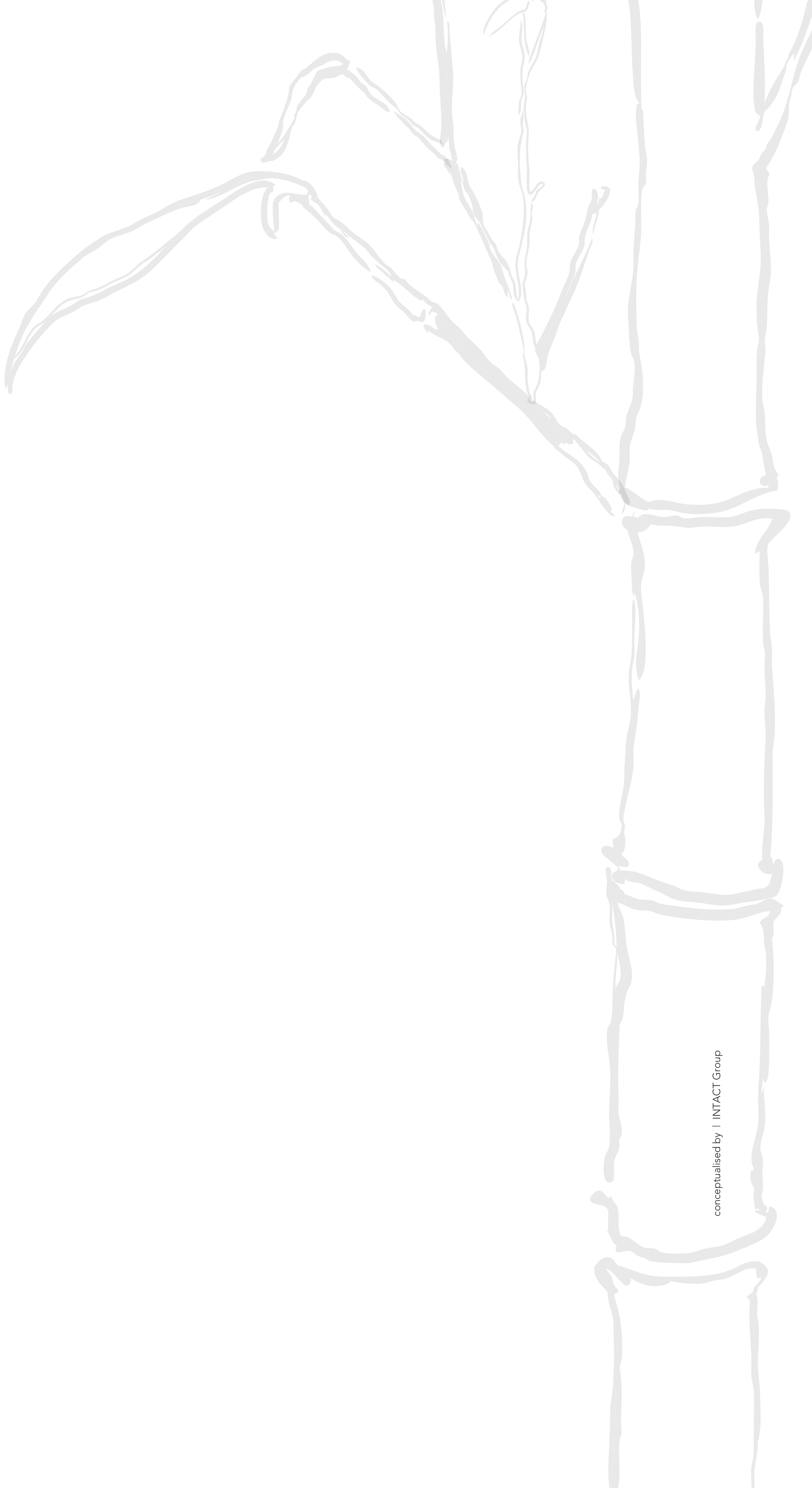

Registered Office

B-15-11, Block B, 15th Floor
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12 Jalan Yap Kwan Seng
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Tel: (+603) 2166 9260/61
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