Malaysia Smelting Corporation Berhad
(43072-A)

A SUSTAINABLE FUTURE FOR TIN

ANNUAL REPORT 2013

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 competitive spirit
- Respect for the environment and the health and safety of its employees
- Creating sustainable shareholder value through quality operations

Cover rationale

Geometric Art

Basic shapes, i.e. a circle, triangle and square, form the principal design elements on this cover, representing the rich heritage, not only of the Group, but also of the tin mining industry as a whole, in contributing to the socio-economic growth of the country. Artistically arranged in avant-garde compositions, these convey the Group's foresight and capabilities in providing visionary solutions for a brighter future. To further underline its commitment to sustainable development, red dots are used to accentuate the design, symbolising connectivity and completeness.

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

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

- Mr Chew Kwee San
- Mr Mark Christopher Greaves
- Dato' Seri Mohd Ajib Anuar

COMPANY SECRETARY

- Cik Sharifah Faridah Abdul Rasheed (LS0008899)

MANAGEMENT

- Mr Chua Cheong Yong
(Chief Executive Officer)
- Mr Yap Fook Ping
(Group Chief Financial Officer)
- Mr Raveentiran Krishnan
(Group Chief Operating Officer, Smelting)
- Ir Mohamed Yakub Ismail
(Group Chief Operating Officer, Mining/Senior General Manager, Rahman Hydraulic Tin Sdn Bhd)
- En Madzlan Zam
(Head, Geology & Exploration)
- Mr Yap Kean Pang
(General Manager, Marketing & Trading)
- Cik Sharifah Faridah Abdul Rasheed
(Head of Legal & Human Resources)

REGISTERED, CORPORATE & MARKETING OFFICE

B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel : (603) 2166 9260-1
Fax : (603) 2161 1826
www.msmelt.com

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

RAHMAN HYDRAULIC TIN SDN BHD

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12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel : (603) 2166 8057
Fax : (603) 2166 3057

SHARE REGISTRARS

• MALAYSIA
Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor, Malaysia
Tel: (603) 7841 8000
Fax: (603) 7841 8151/8152

• SINGAPORE
Tricor Barbinder Share Registrar Services
80 Robinson Road
#02-00, Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399

AUDITORS

Ernst & Young

BANKERS

Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
CIMB Bank 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

TIN USAGE

- SCALING THE PINNACLE

Tin's long-term future as a competitive and sustainable material used in many innovative technologies, is well-established. It is a vital ingredient for a wide range of manufacturing industries, including consumer goods, packaging, construction as well as automotive industries, and plays a major role in supporting the ever growing electronics sector. In tandem with an increasing global demand for tin, the MSC Group continues to place its faith in the potentials of tin as we spearhead the transformation of tin industry into a sustainable one.

MSC – A GLOBAL INTEGRATED TIN MINING AND SMELTING GROUP

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 2013, the Group produced 32,668 tonnes of tin metal maintaining its position as the second largest supplier of refined 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. MSC is a subsidiary of SGX-ST listed 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 current smelting capacity of approximately 35,000 tonnes of contained tin-in-concentrates 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 wider variety of tin bearing materials as well as production of various high tin metal grades.

In the mid 90's the Group started a tin marketing and trading arm under the smelting division. The downstream unit provides the Group with hedging, pricing and marketing linkages to the Kuala Lumpur Tin Market/London Metal Exchange 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 expanded upstream in mining through the acquisition of Rahman Hydraulic Tin Sdn. Bhd. (RHT), Malaysia's long established and largest operating open-pit tin mine. Since the takeover extensive exploration works, improvements and flow sheet changes to the milling/concentrator circuits and improvements to the mining and pit operations have been undertaken and today RHT has been transformed to become a sustainable and significant tin producer, incorporating international best mining practices.

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 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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Fifth 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 **Tuesday, 29 April 2014** 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 2013 and the Report of the Directors and Auditors thereon be and are hereby received."

2. "THAT En Razman Ariffin, who retires in accordance with Article 101 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

3. "THAT Mr Chew Kwee San, who retires in accordance with Article 101 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

4. "THAT the Directors' fees of RM465,000.00 in respect of the year ended 31 December 2013 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."

5. "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:

6. "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."

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

BY ORDER OF THE BOARD
Sharifah Faridah Abdul Rasheed
Company Secretary
Kuala Lumpur

7 April 2014

Notes:

1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 23 April 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Thirty Fifth 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 6):

The proposed ordinary Resolution 6 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 Fourth Annual General Meeting of the Company held on 29 May 2013. 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				
		2009*+ Restated	2010*	2011**	2012**@ Restated	2013**
Revenue	(RM Mil)	1,851.7	2,738.8	3,098.6	2,185.7	**1,582.0**
Profit/(Loss) before tax - Continuing Operations	(RM Mil)	109.8	(78.5)	91.1	36.1	**66.3**
Income tax expense	(RM Mil)	(41.2)	(21.8)	(34.5)	(23.3)	**(22.8)**
Profit/(Loss) attributable to the owners of the Company	(RM Mil)	72.4	(80.2)	60.5	(172.3)	**16.8**
Total assets	(RM Mil)	1,231.6	1,219.6	1,271.9	888.1	**808.6**
Net current assets/(liabilities)	(RM Mil)	68.0	30.2	119.4	(61.1)	**(11.8)**
Equity attributable to the owners of the Company	(RM Mil)	367.8	264.8	419.1	231.4	**222.8**
Earnings/(Loss) per share	(sen)	97	(107)	62	(172)	**17**
Gross dividend declared/proposed per share	(sen)	3	3	30	–	**–**
Net assets per share attributable to the owners of the Company	(sen)	490	343	419	231	**223**
Pre-tax profit/(loss) for Continuing Operations on average equity attributable to the owners of the Company	(%)	33	(25)	27	11	**29**

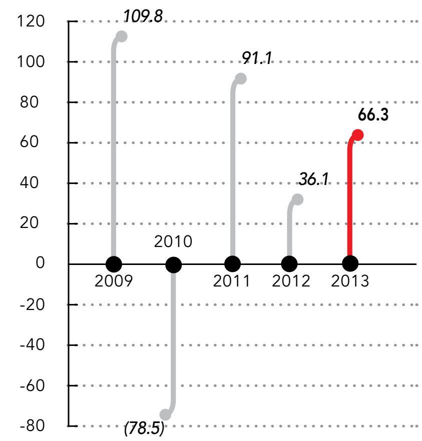
+ Restated due to gain on bargain purchase amounting to RM65,004,000 arising from acquisition of a joint venture which has been retrospectively adjusted for in financial year ended 31 December 2009.

* Prepared in accordance with FRS.

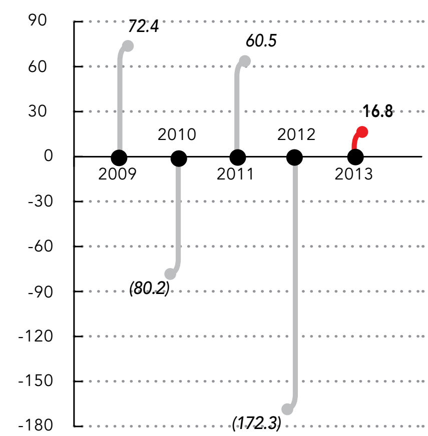
** Prepared in accordance with MFRS.

@ Restated due to the adoption of IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine.

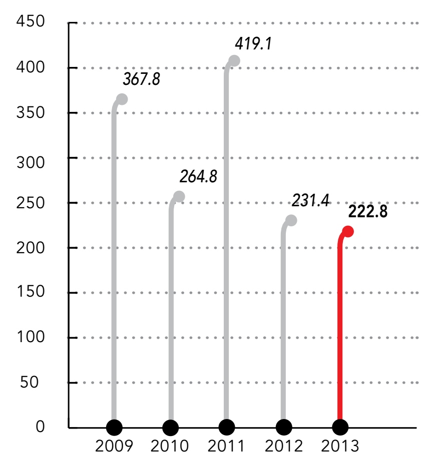
Profit/(Loss) before tax - continuing operations (RM Mil)



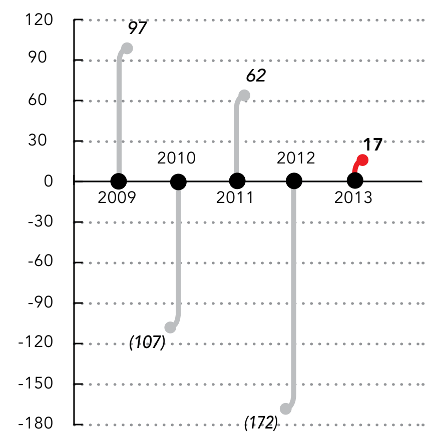
Profit/(Loss) attributable to the owners of the Company (RM Mil)



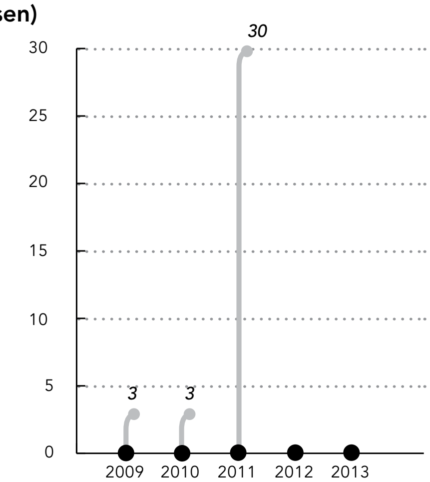
Equity attributable to the owners of the Company (RM Mil)



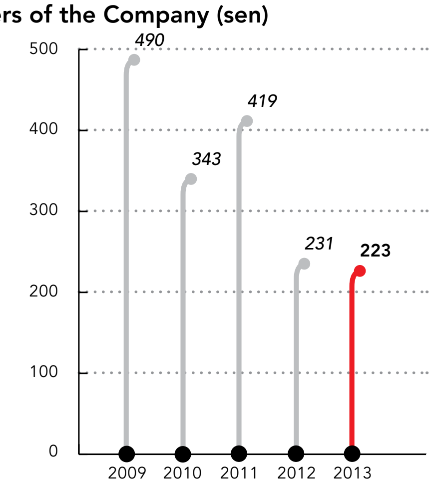
Earnings/(Loss) per share (sen)



Gross dividend declared/proposed per share (sen)



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



1. **Mr Norman Ip Ka Cheung**
   Independent Non-Executive Director

2. **En Razman Ariffin**
   Senior Independent Non-Executive Director

3. **Dato' Seri Mohd Ajib Anuar**
   Non-Independent Non-Executive Director

4. **Mr Chew Kwee San**
   Non-Independent Non-Executive Director

5. **Mr Mark Christopher Greaves**
   Non-Independent Non-Executive Director

6. **Dato' Ng Jui Sia**
   Independent Non-Executive Director

Mr Norman Ip Ka Cheung

Mr Norman Ip Ka Cheung is a British subject aged 61 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 director of United Engineers Limited, UE E&C Limited, Great Eastern Holdings Limited, and AIMS AMP Capital Industrial REIT Management Limited - all companies listed on the Singapore Exchange Securities Trading Limited (SGX-ST). In addition, he is also a member of the Board of Building and Construction Authority of Singapore.

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

En Razman Ariffin

En Razman Ariffin is a Malaysian aged 66 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 or any conflict of interest with the Company. Neither has he been convicted of any offence.

Dato' Seri Mohd Ajib Anuar

Dato' Seri Mohd Ajib Anuar is a Malaysian aged 64 years. He was first appointed to the Board as a Non-Independent Non-Executive Director in July 1986 and was the Chief Executive Officer and Executive Director of the Company from June 1994 to December 2013. He was re-designated as a Non-Independent Non-Executive Director in January 2014.

He has more than forty-two 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.

Mr Chew Kwee San

Mr Chew Kwee San is a Singaporean aged 45 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 the 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 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, 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 Mark Christopher Greaves

Mr Mark Christopher Greaves is a British national aged 57 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 Chief Executive of Hanson Capital Limited, later becoming Deputy Chairman of Hanson Family Holdings Limited, a position which he held until early 2012. During this period Mr Greaves also served as a Non-Executive Director and subsequently Chairman of London-listed Sinosoft Technology Plc, and an Independent Non-Executive Director and later Corporate Governance Consultant to the Board of Hong Kong-listed Gome Electrical Appliances Holding Limited. Currently, Mr Greaves is a Director of Hanson China Partners Limited and Sinojie Hanson Limited. He also acts as an Advisor to the Chairman of The Straits Trading Company Limited and was a Non-Executive Director of WBL Corporation Limited, a Singapore-incorporated conglomerate then listed on the SGX-ST, until 2013.

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

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

Dato' Ng Jui Sia

YBhg Dato' Ng Jui Sia is a Singaporean aged 62 years. He was appointed to the Board of the Company in September 2012 as an Independent Non-Executive Director. He was also appointed as the 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 Metal Box 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' Ng 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. From October 2010 to October 2013, Dato' Ng served as the Chief Executive Officer of the Fraser & Neave Holdings Berhad. Dato' Ng was appointed as the Chief Executive Officer, F&B (Non Alcoholic) of Fraser and Neave Limited on July 2013.

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 and neither has he been convicted of any offence.

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statement of Malaysia Smelting Corporation Berhad (MSC or the Company), its subsidiaries, associated companies and joint ventures (the Group) for the year ended 31 December 2013.

2013 has been a very challenging year for the MSC Group. Despite tremendous efforts made in trying to procure the extension of the Contract of Work (CoW) by PT Koba Tin, we were unable to do so. Thus the Group embarked on closing down all the loss-making mining operations in Indonesia and initiated our efforts to divest mining assets in Indonesia. We have stepped up our efforts to improve the productivity of our core mining and smelting operations in Malaysia. Our 30% held joint venture in the Philippines which had been operating as a profitable poly-metallic mine, producing copper, zinc, gold and silver in concentrates, also closed its mining operations in the fourth quarter of 2013 as earlier anticipated, due to the depletion of economic reserves. Going forward, we have repositioned the Group to be a more geographically focused and financially disciplined tin mining and smelting company.

The overall outcomes have been positive. Both our core mining and smelting operations in Malaysia recorded improvement in their operating and financial results. The Butterworth international smelting business achieved 45% increase in its profit before tax to RM65.82 million in 2013 despite registering a lower volume of sales amidst very challenging market conditions. A greater focus on higher margin transactions and operational improvements helped in achieving better overall results. Rahman Hydraulic Tin mining operations also achieved a higher profit before tax of RM34.42 million in 2013 from RM29.43 million in 2012 due to both better production and higher tin prices.

As announced in our Interim Financial Report for the third quarter of 2013, PT Koba Tin's mining and smelting assets had been placed under care and maintenance following the decision of the Government of Indonesia in September 2013 not to extend its CoW which expired on 31 March 2013. Although the Company had made a full provision for impairment on its investment in PT Koba Tin in 2012, it still owns some significant assets comprising mainly stocks of tin contained in smelting intermediates and slags, a large capacity bucket-line dredge and a smelting plant which are being recorded in its balance sheet. Upon consolidation, these assets as well as liabilities of PT Koba Tin will also continue to be reflected in the Consolidated Financial Statement of the MSC Group. However, following a further review on the carrying values of these assets, an additional non-cash impairment of RM24.03 million had been made which was disclosed as the loss from discontinued operation of RM32.57 million shown in the 2013 Consolidated Income Statement. Efforts are ongoing either to sell the Company's entire interest in PT Koba Tin or to dispose of its assets. Accordingly, the assets and liabilities of PT Koba Tin were presented in the Group's Statement of Financial Position as "Assets/Liabilities of disposal group as held for sale" as at 31 December 2013, and its results are also presented separately in the Consolidated Income Statement as "Loss from discontinued operation, net of tax" for the year then ended.

Other than the above, the Group achieved a profit before tax from continuing operations of RM66.35 million which is a respectable improvement of 83.9% compared with the previous year. After providing for PT Koba Tin's loss from its discontinued operation, the Group still managed to register a modest turnaround and achieved an after tax profit of RM10.9 million in 2013 as compared to a substantial loss in the previous year. Excluding the non-cash impairment provisions in PT Koba Tin, the Group generated a healthy cash flow from operating activities of RM57.09 million in 2013. Bank borrowings were also reduced by RM71.65 million during the year. The Group's cash and bank balances as at the end of 2013 were RM104.40 million. MSC has adequate bank credit facilities to finance its ongoing international tin smelting business.

BUTTERWORTH INTERNATIONAL TIN SMELTING OPERATIONS

The Butterworth international smelting operations achieved a commendable performance in 2013 with a higher pre-tax profit despite producing a lower volume of tin metal, which decreased to 32,668 tonnes from 37,792 tonnes in 2012. The lower production of tin metal was mainly due to a reduced volume of intake of crude tin metal for refining. However, the effect of this was more than offset by the higher volume of tin concentrates intake which generated a better margin. MSC continues to expand its sources of tin concentrates and other tin bearing feed materials from all major tin producing regions of Asia, Australia, Africa, Europe and South America. Despite the drop in production, the Group maintained its position as the second largest supplier of tin metal globally.

Our main focus in 2013 is to continue to strengthen our position in the global supply chain by maintaining a sustainable volume of the tin business in order to create better value for all the stakeholders. We have also been engaging more actively with all the stakeholders who are involved in the development and implementation of the International Tin Supply Chain Initiative (iTSCi) and the Conflict-Free Smelters Programme (CFS) in Central Africa to provide transparency, accountability and good governance in ensuring responsible sourcing of all tin bearing feed materials from the region. We are pleased that the Butterworth smelter has been certified as CFS compliant since the 2012/2013 audit period.

At the Butterworth smelting facilities, cost and asset optimisation efforts continued to add value through further improvement in operating efficiencies to maximise metal yields and recovery of by-products. The Group's international marketing and commercial networks also played a significant role in achieving value enhancement objective throughout the year.

RAHMAN HYDRAULIC TIN SDN BHD (RHT)

RHT managed to sustain its production of tin-in-concentrates at a slightly higher level of 2,223 tonnes compared with the record production achieved in the previous year. Coupled with a higher average tin price its profit before tax increased by 17% in 2013 to RM34.42 million.

During the year the open pit mine was enlarged and deepened to gain wider access to sufficient ore bodies for all processing plants to operate at full capacities. Despite removing a higher volume of waste materials resulting in higher costs, the mine was able to control its cost of production through continuing productivity improvements and operating efficiencies.

As part of its ongoing exploration programmes to increase its tin resource, RHT undertook a seismic reflection survey at the mine pit in 2013. The survey results indicate tin mineralization potentially extending deeper below the currently defined ore mineralisation. Consequently, a Phase 1 widely spaced deep drilling programme has been planned to be undertaken in 2014 to test for this potentially larger tin mineralisation.

RHT's existing mining leases cover a total area of 601 hectares with validity period up to the year 2030. Subject to obtaining encouraging results from the Phase 1 drilling programme, a more robust closely spaced in-fill drilling and pit optimisation programme will be undertaken to delineate additional ore reserves which should help to increase future production.

PROSPECTS

We will continue to focus on the priorities we set for ourselves last year: to close down and divest all non-performing operations and assets, to improve the performance of our core mining and smelting operations in Malaysia, to maximise free cash flow and to strengthen the balance sheet and deliver strong results for the benefits of our shareholders.

Over the last two years, we had made substantial impairments on our investments and assets in Indonesia and have emerged as a leaner and more resilient Group. We expect to complete the divestment of all these assets in 2014.

While we believe the fundamental factors supporting the price of tin remain firmly in place and our outlook remains positive, we are mindful of the challenges facing the global tin industry in allocating capital for investment in new production and supply. The potential tin resources around the world are located mostly in jurisdictions where government and communities are seeking greater custody and control of their mineral wealth. As our experience in Indonesia has shown, commercial instability can arise due to political and administrative changes, policy reforms and changes in laws and governmental regulations. Critical assessments of these risks in addition to the projects' economic, technical and operating risks, are therefore crucial prerequisites for any investment decision. While in the near term we have no plan to make further investments in Indonesia, we will be focusing on strengthening our balance sheet and prioritizing our capital allocation options mainly on exploration and mining projects that have low execution risks and in areas which we are comfortable with.

We believe the Malaysian operations will be able to capitalise on the strong global tin market fundamentals, the current uptrend in tin prices and our extensive international commercial networks. We expect the year ahead to be more rewarding and profitable for the Group and our shareholders.

DIVIDEND

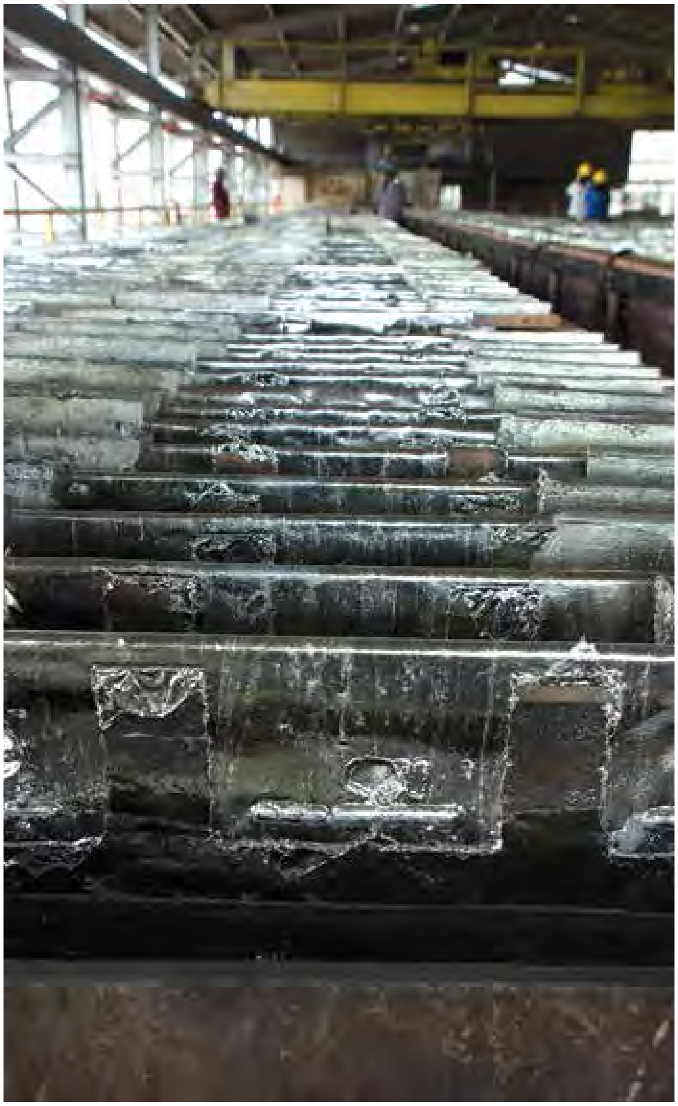
The directors do not recommend the payment of any dividend for the year ended 31 December 2013.

CORPORATE GOVERNANCE

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

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

ACKNOWLEDGEMENT

Dato' Seri Mohd Ajib Anuar stepped down from his position as the Group's Chief Executive Officer/Executive Director with effect from 31 December 2013 and relinquished all his executive functions of the Company. With effect from 1 January 2014, Dato' Seri is designated as a Non-Independent, Non-Executive Director and assumes the role of an Advisor to the MSC Group. The Board would like to place on record its deep appreciation to Dato' Seri for his dedicated service, commitment and able leadership as MSC's Group CEO/ED since 1994. Under his leadership, MSC developed and strengthened its niche expertise in tin throughout the entire global tin supply chain, moved into the upstream sector of tin mining, expanded the Group's international commercial networks and successfully transformed MSC Group to be a leading integrated producer of tin metal and tin based products.

We have appointed Mr Chua Cheong Yong as the new CEO of MSC effective from 1 January 2014. Mr Chua was the Group Deputy CEO prior to his promotion and has a total of 30 years' dedicated service with the MSC Group and had helmed the international tin smelting operations of MSC Group of companies.

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 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

31 March 2014

Chief Executive Officer's Review

PERFORMANCE

The Butterworth international smelting business and Rahman Hydraulic Tin mining operations delivered stronger performances in 2013 with a combined profit before tax of RM100.24 million, thus helping the Group to achieve a modest turnaround in the overall financial results for the year. Following the decision of the Indonesian Government in September 2013 not to extend PT Koba Tin's Contract of Work which expired on 31 March 2013, its mining and smelting assets were placed under care and maintenance. PT Koba Tin undertook a further review on the carrying values of these assets which comprise mainly its stocks of tin contained in smelting intermediates and slags, a large capacity bucket-line dredge and a smelting plant, and made an additional provision for non-cash impairment which, together with the care and maintenance expenses, resulted in a loss from discontinued operation of RM32.57 million. The Group also made further impairment provisions after an impairment assessment on its other investments. In the Philippines, the Company's 30% joint venture also closed its poly-metallic mine in the fourth quarter of 2013 due to depletion of economic reserves.

The Group achieved a profit before tax from continuing operations of RM66.35 million in 2013. After deducting income tax expenses and loss from discontinued operation of PT Koba Tin, the Group registered an overall after tax profit of RM10.98 million for the year.

With the closure of all the Group's non-performing operations and impairment provisions made in 2013, we have positioned the Group to deliver a better performance and improved cash flow in 2014.

Production and Sales	2013	2012
Tin Metal Production (tonnes)		
MSC International Custom Smelter, Butterworth	**32,668**	37,792
Rahman Hydraulic Tin (tin-in-concentrates)	**2,223**	2,179
PT Koba Tin	**387**	1,901
Average tin price (USD per tonne)	**22,300**	21,100
Sales - Continuing Operations	**RM 1.6 billion**	RM 2.2 billion

Chief Executive Officer's Review *(cont'd)*

Financial Highlights	2013	2012
	(RM Million unless otherwise stated)	
Profit before tax (continuing operations)	**66**	36
Profit/(Loss) after tax		
- Continuing operations	**44**	13
- Discontinued operation	**(33)**	(251)
Profit/(Loss) after tax attributable to the owners of MSC	**17**	(172)
Cash and bank balances	**104**	139
Equity attributable to the owners of MSC	**223**	231
Debt : Equity Ratio	**(2.0:1)**	(2.2:1)
Earnings/(Loss) per share	**16.8 sen**	(172.3 sen)
Net assets per share	**RM2.23**	RM2.31
Pre-tax return on average shareholders' equity attributable to the owners of MSC (continuing operations)	**29%**	11%

The Group production and sales were affected by the lower intake of crude tin metal for refining into high grade tin metal. The reduction was mainly due to more difficult and challenging market environments which exerted pressure on refining margins. However more aggressive efforts were made to secure a higher volume of tin concentrates and tin bearing materials for smelting. These efforts successfully resulted in a higher feed materials intake for smelting in 2013 compared with the volume in the previous year. Despite the fall in overall production, the Group maintained its position as the second largest supplier of tin metal globally.

The Group generated a net cash from operating activities of RM57.09 million in 2013. The positive cash flow enabled the Group to reduce its bank borrowings by RM71.65 million during the year. The Group's overall cash and bank balances at the end of 2013 was RM104.40 million. We have adequate bank credit facilities to fully finance the current tin smelting and mining operations in Malaysia. With a focus on Malaysian operations supported by the Group's extensive international commercial networks, we expect MSC's Group cash flow to continue strengthening in 2014.

INTERNATIONAL SMELTING BUSINESS

	2013	2012
Production of refined tin metal (tonnes)	**32,668**	37,792
Profit before tax (RM million)	**65.82**	45.35

In 2013 we continued to intensify our efforts in developing and adding value throughout the global supply chain in order to sustain the volume of the tin business and associated by-products. We have also been in active and constructive engagements 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 for responsible sourcing to cover new artisanal mining areas in Central Africa. The iTSCi scheme backed by all stakeholders has been very successful in its agenda to ensure traceability of minerals sourced from the Democratic Republic of Congo (DRC) and adjoining countries. MSC had been steadfast in its engagement in the African cause well before the Dodd Frank Act of the USA came into force. We have provided much needed leadership with other stakeholders during the critical years when slowdown of mining activities drove the people dependent on them to endure great difficulties. The successful implementation of the iTSCi scheme brought relief to the artisanal miners and tin mining activities in DRC were back on its feet. MSC also played a pivotal role in the Conflict Free Smelter program with the Electronic Industry Citizenship Coalition and was one of the first smelters to be certified conflict free smelter compliant (CFS). The Butterworth Smelter also earned the distinction of being the first smelting facilities to source tagged tin concentrates from the DRC when it was certified CFS compliant.

In line with the aspiration of the DRC Government, MSC took a 40% equity interest in a tin smelting project in Lubumbashi, Katanga province in 2012. The smelter with a designed capacity of 300 tonnes crude tin metal per month is currently put under care and maintenance due to inadequate power supply and will commence operations when adequate power supply is available. The crude tin to be produced will be sent to the Butterworth smelter for further refining and branding.

The major plant upgrading programmes to improve the Butterworth smelter's smelting and refining efficiencies undertaken during the last three years had been substantially completed. However, the implementation of productivity improvements is a dynamic and continuous process. With a sustainable competitive advantage, we expect to continue to receive the benefits of these continuous improvements in the years ahead.

RAHMAN HYDRAULIC TIN SDN BHD (RHT)

	2013	2012
Production of tin-in-concentrates (Tonnes)	**2,223**	2,179
Profit before tax (RM million)	**34.42**	29.43

RHT which operates Malaysia's largest open pit mine in the State of Perak continued to focus on pit optimisation, upgrading of ore processing plants, improving its environmental standards and practices and achieving further improvements in operating efficiencies. The year 2013 saw the successful completion of the installation of an additional ball mill and twelve shaking tables that are used for retreating tin bearing tailings at the hard rock processing plant. These additional facilities contributed to about 2% increase in the mine production in 2013.

The mine achieved a clean safety record and environmental standards were improved during the year. Improvement works included capacity expansion of the tailing storage areas and improving the quality of water discharged from the mining lease by constructing additional settling ponds.

Waste materials removed during the year totalled 3.11 million cubic meters, 3.7% higher than the record 3 million cubic meters achieved in 2012. Accordingly, the mine pit was enlarged and deepened thus making available sufficient ore bodies for all the mine processing plants to operate at full capacities. Total ore materials processed at 0.92 million cubic meters was about the same level achieved in 2012.

Profit before tax increased to RM34.42 million which was 17% higher than that achieved in 2012 because of slightly higher production and higher tin price which more than offset the increase in mining costs.

Tin Resource

From 2005 to 2012, RHT drilled 98 reverse circulation drill holes and 49 fully cored diamond drill holes with a total length of 17,840 meters. The mine's estimated tin resource is based mainly on these drill holes combined with data from blast hole sampling, trenching and channel sampling as well as past production records. The estimate uses procedures and standards that are in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). A summary of RHT's estimated tin resources as at 1 January 2014 is as follows:

RESOURCES CLASS	ORE VOLUME (m^3)	ORE GRADE ($KgSn/m^3$)	CONTAINED TIN (tonnes)
Measured	2,090,404	2.66	5,550
Indicated	2,417,988	2.50	6,051
Inferred	15,130,113	1.67	25,309
Total	19,638,505	1.88	36,910

As part of its continuing exploration programmes to increase its tin resource, RHT undertook a seismic reflection survey at the mine pit in 2013. The survey results indicate several geological faults below the mine pit floor. These geological faults, when correlated with established geological models of tin deposit formation, are likely pathways or "feeder zones" for tin mineralisation to rise and spread into the highly fractured and weathered zones in the present mine pit. Tin mineralisation in the "feeder zones" is expected to be in the form of tin lodes somewhat similar to the well known Sungai Lembing Mine's tin lode type mineralisation in the State of Pahang, Malaysia.

Consequently, a Phase 1 widely spaced deep drilling programme is planned in 2014 to test for tin mineralisation within the "feeder zones" and 24 drill holes of 6,400 meters total drill length (averaging 267 meters per hole) are planned at the mine pit floor and at the northwest of the mine pit. Subject to encouraging results from the Phase 1 drilling programme, a closely spaced in-fill drilling will be undertaken to enable evaluation of the tin resource to be carried out in accordance with the JORC Code.

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 2013 we contributed RM 33.4 million in the form of government taxes and royalties, RM 2.4 million in environmental management and rehabilitation and RM 0.8 million in CSR programme.

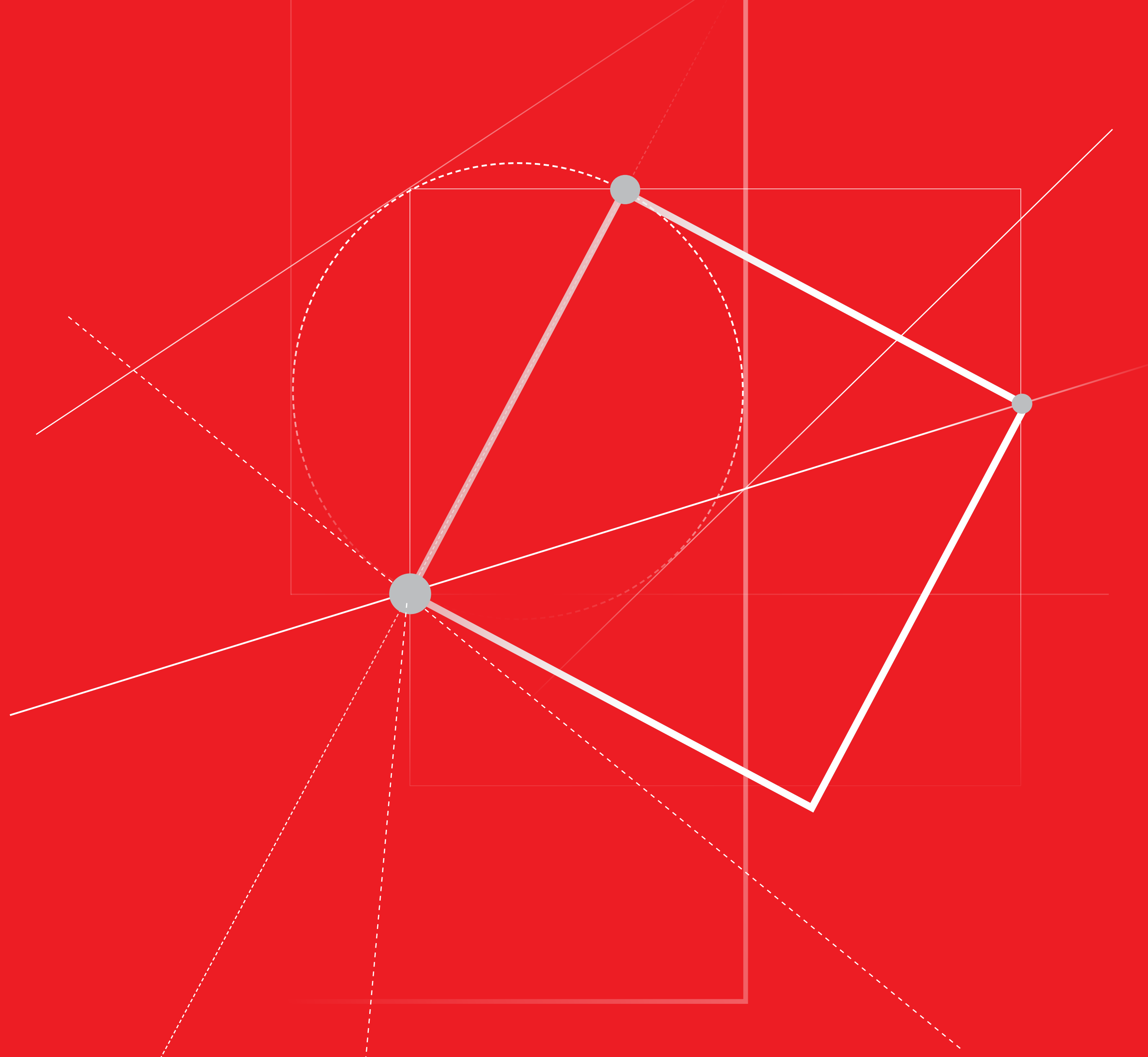
OUTLOOK

Given the increased challenges in investing in new tin projects overseas and with our current priority on strengthening our cash flow and balance sheet, we will direct more efforts in 2014 towards developing new tin resources in Malaysia where we have established presence and niche capabilities in exploration, geology, mining, mineral processing and smelting.

Looking ahead to 2014, we remain focused on delivering further improvements from our current international smelting business and mining operations in Malaysia. With a more rigorous effort on value enhancement throughout our tin supply chain we are cautiously optimistic on our ability to deliver better returns for our shareholders and other stakeholders.

CHUA CHEONG YONG
Chief Executive Officer

31 March 2014



LEADERSHIP

- REACHING ALL FOUR CORNERS

It is about understanding the big picture to create a world where generation after generation can enjoy fulfilling lives. We are relentless in our endeavours to pave the way in the industry as we forge ahead, exploring new ventures and creating added value. We nurture our growth and aspirations by building on our core competencies and broadening our core business, consistently raising the bar of excellence in the process.

Tin Market Review and Outlook

The annual average London Metal Exchange (LME) tin cash settlement price in 2013 was USD22,304/tonne, up by just under 6% compared to the annual average for 2012. Tin and lead were the only LME metals to record year-on-year increases in their annual average prices. Tin's performance was mainly based on a strong first quarter and a sharp recovery from August to early October due to the disruption of Indonesian supplies. From October tin prices have tended to drift downwards.

After a significant decline in the second half of 2011 as world economic prospects deteriorated, prices have now been in a range of USD18,000 – USD25,000/tonne for over two years. Price fluctuations are caused by a variety of factors, including actual and anticipated changes in supply and demand, investor behaviour and financial market performance.

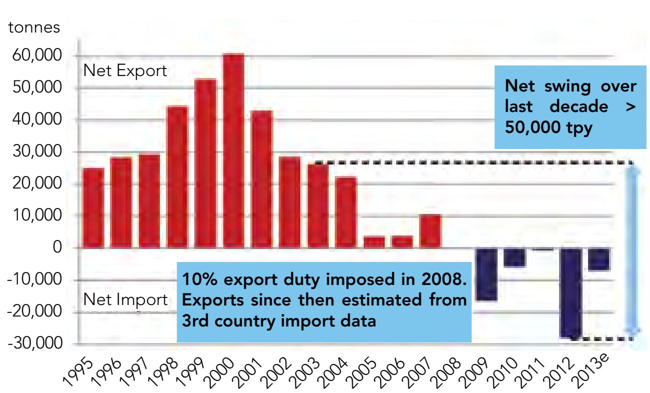
LME tin prices and stocks

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

The critical tin-specific market factors recently have been:

- The Chinese market has been over-supplied. Price arbitrage trading resulted in large Chinese imports in 2012, which resulted in a build-up in stocks held by producers and traders. Chinese stocks are estimated to have continued to rise slowly in 2013, as local production rose and electronics sector demand was relatively weak;

China net trade in refined tin



- Global demand was quite weak in 2012 and the early part of 2013, although a revival had begun to take effect from the second half of last year;

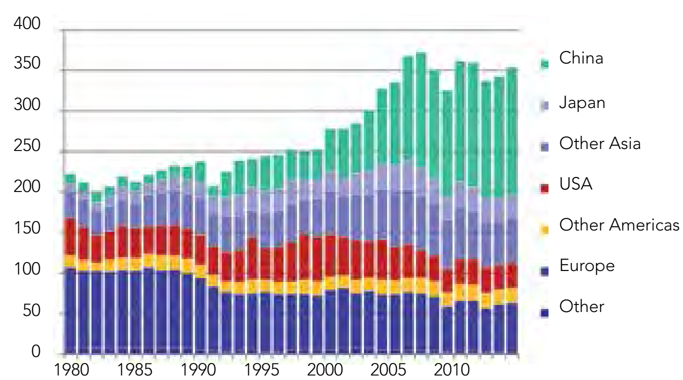
- Perhaps most importantly, there have been significant changes in Indonesian export regulations, which has caused uncertainty and a bunching of shipments in the first half and final month of 2013.

- Chinese stockpiling and the Indonesian supply bottleneck in the second half of last year have resulted in a run-down in visible producer and exchange stocks to the lowest levels in many years by the end of 2013.

THE TIN CONSUMPTION PICTURE

Worldwide refined tin consumption is still well below its recent historical peak of over 370,000 tonnes in 2007, but a steady recovery does now appear to be underway. The stagnation in growth in recent years has been due mainly to general macro-economic weaknesses and miniaturisation and economisation in solder use in the electronics sector. However the electronics industry is now pulling out of a two year cyclical downturn and is forecast to grow by more than 4% this year (after a 2.3% decline in 2013) and by around 6% per annum in the following two years. Provisional results of ITRI's latest large-scale survey of tin users point to increased tin use in most major tin applications and regional markets in 2013 and improving prospects for the OECD economies should result in global demand growth of more than 3% this year.

World tin comsumption 1980 - 2014



INDONESIAN EXPORT REGULATIONS

A first version of the new Indonesian tin export regulation was signed by the trade minister in December 2012. The two main aspects of the regulation were that:

(1) exports of tin products such as solder wire, which had previously been exempt, were to be part of the trade ministry licencing system from 1 January 2013; and

(2) from 1 July 2013 quality standards for refined metals exports were to be significantly tightened. From that date exports were to be a minimum 99.9% tin, with a maximum lead content of 100 parts per million (ppm) and a range of maximum levels of a list of other impurities.

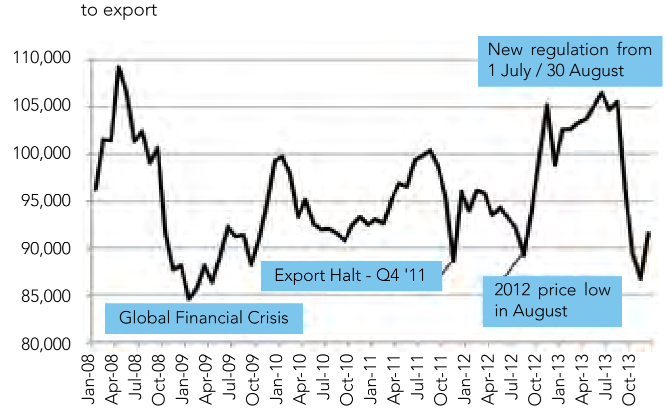
Both measures were aimed at restricting exports of low quality tin by private smelters either for re-refining or for direct sale to traders or end-users.

The known deadline for the quality clamp-down resulted in a boom in sales in the first half of last year as companies unable to produce high quality tin rushed to maximise production and run down stocks. Exports rose by 19% to over 57,000 tonnes in January-June, resulting in world over-supply and downward pressure on prices.

Just as the new quality standards were due to take effect, the regulation was replaced by a new version which relaxed the rules on impurity limits, raising the maximum lead limit to 300 ppm and dropping the limits on all other impurities except iron (50 ppm). However there was also a new stipulation introduced requiring that all tin ingots exported should be traded through a local commodity exchange from 30 August. Although the Indonesia Commodity and Derivatives Exchange (ICDX) had launched a tin contract in 2012, it had few members and the tin market had been virtually unused. This sudden rule change created a major export bottleneck, resulting in exports plummeting from around 9,000 tonnes a month to only 528 tonnes in September. The constriction of supplies from the world's largest exporting country resulted in a rapid increase in world tin prices between July and October. However by the end of the year most local producers and a number of international buyers had become members of ICDX and trading volumes on the Indonesian exchange had risen rapidly. Tin products like solders were also exempted from the exchange-trading rule until 1 January 2015. Indonesia's December exports recovered to over 13,000 tonnes, including a little over 2,000 tonnes of solder.

Fluctuations in Indonesian exports

12-month moving total of tonnage of metal checked prior to export

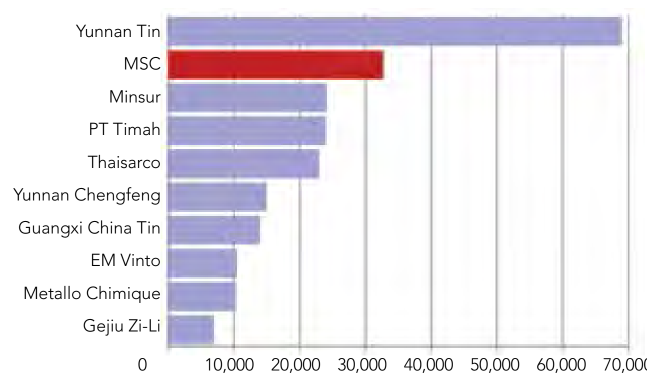


MARKET OUTLOOK

The medium-term price outlook for tin producers remains positive. Based mainly on supply-side constraints, a move up to a cyclical peak of USD 35,000 – 40,000/tonne between 2015 and 2017 is predicted by ITRI. However it is unlikely that much of a recovery will be seen in the first half of 2014.

There are continuing uncertainties about China, both about the country's overall economic growth and financial health and also regarding the continued existence of excess tin stocks which could potentially be exported. The other main risk is that all commodity markets are sensitive to financial market developments and changing investor perceptions. In particular the prospect of the tapering of the US Federal Reserve's quantitative easing bond purchasing programme is likely to see funds moving out of more risky assets. So far this has been most pronounced in certain emerging market currencies, but base metals markets could also be adversely affected.

Top 10 refined tin producers in 2013



The Indonesian supply picture is still quite confusing. Official forecasts suggest that production and exports will be in the order of 85,000 – 90,000 tonnes, although it is unclear what proportion of this will be exported as 99.9% refined tin traded through the ICDX. The impact of the new exchange in the global supply pipeline is still evolving and there may be further surprises this year. In January ICDX trading volumes fell by over 50% because sellers attempted to hold the local price up in the face of a significant fall in LME prices. If financial market problems push the LME down further it is unclear how Indonesian producers, officials and ministers will react.

While Chinese and Indonesian trade flows remain unpredictable, it is a fact that visible reported stocks of refined tin at the end of 2013 were at the lowest level seen in several decades. The world market is forecast to register a fifth consecutive supply deficit this year, putting further strain on the supply chain, so even a modest growth in demand is likely to trigger the beginning of a new sustained rise in prices from the second half of the year.

World Supply/Demand Balances in Refined Tin ('000 tonnes)	**2010**	**2011**	**2012**	**2013**	**Forecast 2014**
World					
World Refined Production	354.6	355.2	334.3	333.3	338.8
DLA Sales	0.0	0.0	0.0	0.0	0.0
World Refined Consumption	362.0	360.2	337.2	342.9	353.7
Global Market Balance	**-7.4**	**-5.0**	**-2.9**	**-9.6**	**-14.9**
Reported stocks					
LME	16.4	12.1	12.8	9.7	5.0
Producers	7.8	8.2	9.2	7.0	5.0
Consumer/other	11.1	9.6	10.7	10.0	8.0
Total	**35.3**	**29.9**	**32.7**	**26.7**	**18.0**
World Stock Ratio					
(weeks consumption)	*5.1*	*4.3*	*5.0*	*4.0*	*2.6*

World Production and Consumption of Refined Tin ('000 tonnes)	**2010**	**2011**	**2012**	**2013**	**Forecast 2014**
Production					
China	155.0	160.0	152.0	158.1	161.3
Indonesia	62.1	60.4	52.4	50.0	55.0
Malaysia	38.7	40.3	37.8	32.7	30.0
Thailand	23.5	23.9	22.8	23.0	18.0
Bolivia	15.0	14.5	14.3	13.6	15.0
Brazil	6.5	7.0	9.0	9.9	12.0
Peru	36.1	30.2	24.8	24.1	23.0
Belgium	9.9	10.0	11.4	10.3	12.5
Russia	1.5	0.7	0.9	0.8	1.0
Other	6.3	8.3	8.9	10.8	11.0
Total World	**354.6**	**355.2**	**334.3**	**333.3**	**338.8**
Consumption					
China	149.1	153.8	146.0	151.5	158.1
Japan	31.5	29.7	27.3	27.7	28.0
Other Asia	64.2	59.4	56.8	53.7	55.0
USA	31.0	31.5	32.0	30.5	31.0
Other Americas	20.5	20.0	18.6	18.2	18.5
Europe	62.2	62.0	53.5	58.4	60.0
Other	3.5	3.8	3.0	2.9	3.1
Total World	**362.0**	**360.2**	**337.2**	**342.9**	**353.7**

RESPONSIBLE MINING

- PROVIDING WELL ROUNDED SOLUTIONS

As a leading tin producer, we take our CSR and sustainability programmes seriously. We promote ethical and socially responsible behaviour, from implementing best mining practices to helping the local communities. Our continuous efforts in land reclamation and rehabilitation programmes are initiated for long-term environmental sustainability, ensuring minimal impact on the ecology and improving native biodiversity, while allowing us to reuse the land for various other purposes, such as recreation and agriculture.

Corporate Social Responsibility

In the quest to deliver long-term value of businesses to the shareholders, corporations today understand that they need to ensure their values are aligned with the consensus in society, so as to minimise conflict and reap tangible benefits sustainably. In the course of it, not only must the management consider and satisfy the needs of a broad range of stakeholders, but they must also try to balance the often contrasting needs of these stakeholders. To succeed in this juggling act requires a mindset that acknowledges the complexity and diversity of a fast-changing world and a right perspective to constantly look for new and better ways to manage the expectations.

At the heart of MSC's approach to corporate social responsibilities (CSR) is a focus on doing what is right for our stakeholders, and the vision and values which underpin the company. It emphasises carefully planned action to match the needs of our businesses, while ensuring compliance with best practices in areas such as health and safety, conduct, environment and community relations. While some choose to see the sustainability agenda as a matter of compliance or a risk to be managed, we would like to think of it as a novel way to open up new business opportunities while creating value for society (a case in point will be new opportunities enabled by ITRI Tin Supply Chain Initiative (iTSCi) to export conflict free minerals from Democratic Republic of Congo).

Our CSR initiatives focusing in four key areas are:

LOCAL COMMUNITIES

We consider it a privilege to give back to the communities in where we operate. We strive to be a good neighbour, sharing the concerns of our communities and dedicating our capabilities, resources and people to help create a better future for everyone. In carrying out this initiative, we volunteer our time, participate in charitable giving and develop meaningful relationships with various organisations whom we share the common goals.

Our commitment to Africa where we have a presence extends to more than viewing it as a means to secure ore supply for our Butterworth smelting operations. MSC has been steadfast in our engagement with all stakeholders long before Dodd Frank Act of the USA came into force. We have been very supportive of the development and implementation of the iTSCi scheme for responsible sourcing to cover new artisanal mining areas in Central Africa. The iTSCi scheme backed by all stakeholders has been successful in its agenda to ensure traceability of minerals sourced from the Democratic Republic of Congo (DRC) and adjoining countries. We have provided much needed leadership with other stakeholders during the critical years when slowdown of mining activities drove the people dependent on them to endure great difficulties. The successful implementation of the iTSCi scheme brought relief to the artisanal miners and tin mining activities in DRC were back on its feet.

The year 2013 saw MSC continuing its legacy of making charitable contributions and donations to those who are in need due to poverty or who became affected by natural calamities such as flood. The Group also contributed towards educational, religious, social and recreational activities or to projects organised at local and district levels.

HUMAN RESOURCES

We firmly believe that MSC's success hinges on the ideas, talents and contributions of our employees. It is critical for us to engage our employees and ignite their passions for their work, their communities and the people they interact with every day. Open communication, rewards and recognition, ongoing learning, a safe and energizing work environment, and a commitment to corporate social responsibility help us achieve these goals.

We are committed to nurturing an inclusive culture to retain our talent and help them reach their potential. Therefore, the welfare of our employees is one of our key priorities. Significant resources are being allocated each year on the education and training of employees to help them succeed at work and in life.

We have earmarked that our wholly-owned subsidiary, RHT, be used as a first-rate industrial training for undergraduates from local universities in disciplines related to geology and mining at its large open cast mine and processing plants. The mine sponsors its employees, as part of their professional development, for training courses organised by professional bodies on work-related subjects ranging from drilling and blasting to financial modelling. It also organises in-house courses for a larger group of employees, mainly on technical subjects and on safety and health.

Eleven new graduates from local universities were recruited by RHT during the year bringing the total number employed by the mine to twenty-two graduates working in the disciplines of geology, mining, mineral processing, and mechanical engineering as part of its succession planning and to develop competent technical personnel for future mining ventures.

SAFETY AND HEALTH

The safety of our workforce is of paramount importance and a core cultural value. All work carries risks. But we manage risks by setting stringent safety policies, consistently training our employees and contractors. We place high priority on strategies to continuously identify and manage risks in the workplace in order to minimise untoward incidences.

Our Groupwide occupational health and safety programme comprises:

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

May it be at our smelter or at the mine site, many safety measures have been put in place. For instance, at the mine pit, measures include having stable pit slopes, large pit floor and adequate access roads to cater for emergencies whilst at the tailing retention areas and waste dumps, stable slopes were maintained. These measures, together with the mine's compliance with all laws on mining, occupational safety and health, contributed to a clean safety record including zero major incidents inflicting damage to property within the mining leases and in its surroundings.

Besides safety, the health of our employees is also important to us. We recognize that healthy employees are better able to do their jobs. Therefore, we are committed to working towards enhancing the quality of life of our employees and their families. One way of doing so is by providing health awareness and education programs to them. In 2013, MSC organised health awareness talks at its premises.

ENVIRONMENTAL MANAGEMENT

Fully cognisant of society's increasing expectations for businesses in general, and for extractive industries in particular, to contribute in the area of environmental development and rehabilitation, we have made environmental sustainability an essential ingredient in doing business responsibly and successfully. As such, we are committed to reducing the environmental impacts of our day-to-day operations and to leading the way on issues where we can have the greatest impact.

At RHT, water from the processing plants is recycled for reuse at the plants and the recycled water is treated to improve water quality. Water in the tailing ponds is replenished by water pumped from a nearby stream and by rainfall and this backup water is stored in reservoirs that form an integral part of the water circuit. Remedial measures to improve water quality are undertaken based on monitoring results of daily water sampling within the mining leases. In addition, periodic regional river sampling exercises for monitoring purposes were carried up to a distance of about 60 km downstream of the mine.

The collaborative experimental rehabilitation project involving reforestation between RHT and the Forest Research Institute of Malaysia (FRIM) was 2.5 years old at year-end 2013 and progress was satisfactory. The pioneer Acacia Mangium trees at the 2.3-hectare waste dump site showed satisfactory growth whilst some of the same trees at the 1.3-hectare tailing area, which showed good growth, were felled and replaced by forest trees. The experimental project and strategic alliance with FRIM will significantly contribute to the success of future rehabilitation by reforestation of disturbed areas at the mine.

As part of its commitment towards sustainability and environmental protection RHT, in collaboration with the Malaysian Chamber of Mines and International Tin Research Institute, carried out and completed trials at its mine on the technical and environmental benefits of using tin fuel catalyst in diesel and petrol engines and results of the trials are encouraging with some savings in fuel consumption and reductions in exhaust emissions.

During 2013, we contributed RM33.4 milliion in the form of government taxes and royalties, incurred RM2.4 million in environmental management and rehabilitation and RM0.8 million in other CSR programmes.

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 following the release of the MCCG 2012 by the Securities Commission in late March 2012 within Malaysia Smelting Corporation Berhad (the "Company") and its subsidiary companies (the "Group"). 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 has updated 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 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 Group 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 page 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, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committee 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 Committee papers, to give effect to Board decisions and to deal with matters arising from such meetings.

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD

Dato' Seri Mohd Ajib Anuar was redesignated from an Executive Director to a Non-Independent and Non-Executive Director on 1 January 2014. As at the date of this Statement, the Board comprises six (6) members, all Non-Executive Directors, three (3) of whom are Independent. This composition fulfills the requirements set out under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), 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
Chew Kwee San (Chairman of the Committee) *Non-Independent Non-Executive Director*	2/2
Razman Ariffin *Senior Independent Non-Executive Director*	2/2
Norman Ip Ka Cheung *Independent Non-Executive Director*	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 candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company.

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.

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. 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.

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

Directors' Training (cont'd)

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.

Activities of the Nominating Committee

During the financial year under review, two (2) Committee meetings were held and attended by all its members. In one of its meetings, the Nominating Committee reviewed and assessed the board, committees and individual directors according to the assessment criteria set out above.

The performance evaluation was led by the Senior Independent Director, En Razman Ariffin, who was supported by the Company Secretary. Directors individually completed a questionnaire regarding the effectiveness of the Board as a whole and own performance. The assessment and comments by all Directors were summarised and discussed at the Nominating Committee meeting and reported at a Board Meeting by the chairman of the Nominating Committee. The results of the assessment were used to indicate potential trainings to be provided in the future for enhancement to the Directors' capabilities.

The programmes attended by the Directors during the financial year ended 31 December 2013 include the following:

Directors	Details of Programme
Mr. Norman Ip Ka Cheung (Chairman of the Board)	• Briefing on Malaysian Code on Corporate Governance 2012 KPMG • MAS Risk Governance Module 2 • SGX-Remuneration Committee Essentials • Personal Data Protection Act • AML/CFT Updated
Dato' Seri Mohd Ajib Anuar	• Briefing on Malaysian Code on Corporate Governance 2012 KPMG • Asian Mining & Energy Investment Forum 2013 ICASIA • ITRI China International Tin Forum
En Razman Ariffin	• Forensic Accounting for Non-Executive Directors Minority Shareholder Watchdog Group • Briefing on Malaysian Code on Corporate Governance 2012 KPMG • Seminar on Potential Economic Returns of Rare Earth Industries in Malaysia Akademi Sains Malaysia • Briefing Session on Personal Data Protection Act Rajah & Tann • Asian Mining & Energy Investment Forum 2013 ICASIA • Training & Development on Accounting and Tax Update Ernst & Young

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

Activities of the Nominating Committee (cont'd)

Directors	Details of Programme
Mr Chew Kwee San	• Briefing on Malaysian Code on Corporate Governance 2012 KPMG • Financial Reporting Update Ernst & Young • Nominating Committee Programme Bursa Malaysia • ITRI China International Tin Forum • Regional Outlook Forum Institute of Southeast Asian Studies
Mr Mark Christopher Greaves	• Briefing on Malaysian Code on Corporate Governance 2012 KPMG • Site visit – RHT mining operations • AusVision Investments Seminar Australian High Commission, S'pore • Singapore Institute of Directors' (SID) Annual Conference (Governance/ Compliance) • SID LCD Programme Module 2 – Audit Committee Essentials • SID LCD Programme Module 3 – Risk Management Essential
Dato' Ng Jui Sia	• Briefing on Malaysian Code on Corporate Governance 2012 KPMG • Corporate Governance Fraser &Neave Holdings Berhad • Vinamilk Vietnam ERM seminar

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 which enable it to discharge its duties in an effective manner.

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

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
Norman Ip Ka Cheung (Chairman of the Committee) *Independent Non-Executive Director*	3/3
Dato' Seri Mohd Ajib Anuar *Executive Director/Group CEO*	3/3
Razman Ariffin *Senior Independent Non-Executive Director*	3/3

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

Remuneration Committee – Directors' Remuneration (cont'd)

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, three (3) Committee meetings were held and attended by all its members. The remuneration of 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 paid during the financial year ended 31 December 2013 are as follows:

	Executive RM' 000	Non-Executive RM' 000
Fees	35	425
Basic salary and other emoluments	1,178	–
Benefits-in-kind	119	–
Total	1,332	425

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

	Executive	Non-Executive
RM50,000 and below	–	3
RM50,001 – RM100,000	–	5
Above RM1 million	1	–
Total	1	8

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

There is clear division of responsibilities between the Chairman and the Chief Executive Officer ("CEO") 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 Chief Executive Officer 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. Following the redesignation of Dato' Seri Mohd Ajib Anuar as a Non-Independent and Non-Executive Director, Mr. Chua Cheong Yong assumed the role of Chief Executive Officer effective 1 January 2014.

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 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.

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD (cont'd)

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 Bursa's Main Market 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 Code 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 Committee 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 Bursa every quarter and requiring all Directors to attend at least half of the meetings held for the financial year under review.

During the financial year under review, seven (7) Board meetings were held and details of Directors' attendance are as follows:

Director	Number of meetings attended
Mr. Norman Ip Ka Cheung (Chairman)	7/7
Dato' Seri Mohd Ajib Anuar	7/7
En. Razman Ariffin	7/7
Mr Chew Kwee San	7/7
Mr Mark Christopher Greaves	7/7
Dato' Ng Jui Sia	5/7

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. Accordingly, it is also addressed in the Chairman's statement and review of operations in the Annual Report.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY (cont'd)

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 En. Razman Ariffin 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 Committee, including its roles and responsibilities, are set out on pages 42 to 44 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 and the annual statutory financial statements. During the year, the Audit Committee met the external auditors separately twice (2), 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. The key features of the Enterprise Risk Management framework are set out in the Statement on Risk Management and Internal Control of the Group set out on pages 48 to 50 of this Annual Report.

In line with the MCCG 2012 and the Listing Requirements of Bursa, 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 Statement on Risk Management and Internal Control of the Group set out on pages 48 to 50 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.

The Board has formalised existing internal corporate disclosure policies and procedures not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa, but also in setting out the protocols for disclosing material information to shareholders and stakeholders.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (cont'd)

To ensure thorough public dissemination, the Company has leveraged on information technology including making announcements via Bursa 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 & answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

The Company dispatches 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 34rd AGM were put to vote by show of hands and were duly passed. The outcome of the AGM was announced to Bursa Malaysia and Singapore Exchange on the same meeting 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 Bursa's 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 Singapore Exchange, 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 31 March 2014.

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 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 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 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 2013 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	Independent Non-Executive Director
Dato' Ng Jui Sia	Independent Non-Executive Director

Each member of the Committee is financially literate and has extensive years of relevant industry experience and a brief profile of each of the Directors is presented on pages 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 42 to 44 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 2013. The details of attendance of each member at the Audit Committee meetings are as follows:

Director	Number of meetings attended
En. Razman Ariffin	5/5
Mr. Norman Ip Ka Cheung	5/5
Dato' Ng Jui Sia	4/5

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, i.e. Messrs Ernst & Young, the Group General Manager, Internal Audit, as well as the Chief Executive Officer, Group Chief Financial Officer, 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 training attended by each member are set out on page 36 to 37 of this Annual Report.

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

Summary of activities during the financial year under review

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

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

- Met with the external auditors twice (2 times) 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 totaling RM22,000 were paid to the External Auditors during the financial year for the provision of advisory services in respect of the review of the Company's Statement on Risk Management and Internal Control and Tonnage Reports;

- 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 Chief Executive Officer, Group Chief Financial Officer and other Senior Management staff;

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

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

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

- Reviewed the adequacy and effectiveness of the governance and risk management processes as well as the internal control system through risk assessment reports from 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 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 Auditor were deliberated; and

- Reviewed the 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 Audit Committee, is responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.

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

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

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

- Issued internal audit reports to the Committee on the 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 Audit 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 2013 is RM722,800.

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 48 to 50 of this Annual Report.

Date: 31 March 2014

Statement on Risk Management and Internal Control

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 Statement on Risk Management and Internal Control (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 2013.

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 controls, 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 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 internal control is founded on a clear understanding and appreciation of the following key elements of the Group's risk management framework:

A risk management structure which outlines the lines of reporting and 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 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 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 45 to 47 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 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 key 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 Group operations 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 systems

The Board has received assurance in writing from the 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 risk management and internal control system is adequate to meet the needs of the Group in addressing financial, operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. Notwithstanding this, the Board and senior management remains 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 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 2013 and reported to the Board that nothing has come to their attention that caused them to believe that the 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: 31 March 2014

Contents

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Principal activities

The principal activities of the Company are investment holding, 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 joint ventures are set out in Notes 18 and 19 to the financial statements respectively.

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

Results

	Group RM'000	Company RM'000
Profit from continuing operations, net of tax	43,545	43,447
Loss from discontinued operation, net of tax	(32,570)	–
Profit net of tax	**10,975**	**43,447**
Profit/(Loss) attributable to:		
Owners of the Company	16,783	43,447
Non-controlling interests	(5,808)	–
	10,975	**43,447**

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.

Dividends

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2013.

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 **	
En. Razman Ariffin *	
Mr. Chew Kwee San	
Mr. Mark Christopher Greaves	
Dato' Ng Jui Sia *	

* Being members of Audit Committee as at the date of this report
** Became Non-Independent and Non-Executive Director with effect from 1 January 2014

In accordance with Article 101 of the Articles of Association of the Company, En. Razman Ariffin and Mr. Chew Kwee San retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves 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 37 to the financial statements.

Directors' interests

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

	← Number of ordinary shares of SGD1 each →			
	1 January 2013	**Bought**	**Sold**	**31 December 2013**
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 2013	Bought	Sold	31 December 2013
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 there were no known bad debts and that adequate provision had been made for doubtful debts in respect of the financial statements of the Group and of the Company; and

   (ii) to ensure that any current assets which were unlikely to realise their values 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) it necessary to write off any bad debts or the amount of the 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 41 to the financial statements.

Subsequent event

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

Auditors

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

Signed on behalf of the board in accordance with a resolution of the directors dated 31 March 2014.

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 59 to 167 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 2013 and of their financial performance and cash flows for the year then ended.

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

Signed on behalf of the board in accordance with a resolution of the directors dated 31 March 2014.

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 59 to 168 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 Butterworth in the State of Penang
on 31 March 2014

Yap Fook Ping

Before me,

Commissioner for Oaths

Butterworth

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 2013 of the Group and of the Company, and the income statements, 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 59 to 167.

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. The directors are also responsible 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 2013 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 45 on page 168 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Penang, Malaysia

Date: 31 March 2014

Income Statements

For the financial year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Continuing operations					
Revenue					
Tin mining and smelting revenue		**1,581,980**	2,185,686	**1,581,975**	2,315,105
Other items of income					
Dividend income	5	**–**	–	**49,948**	15,274
Interest income	6	**8,546**	13,015	**7,317**	12,204
Other income	7	**7,280**	8,209	**2,205**	9,163
Expenses					
Costs of tin mining and smelting		**(1,418,580)**	(2,053,141)	**(1,474,276)**	(2,228,936)
Employee benefits expense	8	**(46,489)**	(44,294)	**(29,787)**	(27,723)
Depreciation expense	4	**(5,444)**	(5,695)	**(2,353)**	(2,147)
Amortisation expense	4	**(1,338)**	(2,800)	**–**	–
Impairment losses	11	**(8,925)**	(36,593)	**(28,356)**	(218,723)
Finance costs	9	**(12,995)**	(13,894)	**(12,948)**	(13,786)
Other expenses	10	**(17,967)**	(19,773)	**(37,513)**	(77,085)
Total expenses		**(1,511,738)**	(2,176,190)	**(1,585,233)**	(2,568,400)
Share of results of associates and joint ventures		**(19,723)**	5,355	**–**	–
Profit/(Loss) before tax from continuing operations	4	**66,345**	36,075	**56,212**	(216,654)
Income tax expense	12	**(22,800)**	(23,338)	**(12,765)**	(19,658)
Profit/(Loss) from continuing operations, net of tax		**43,545**	12,737	**43,447**	(236,312)
Discontinued operation					
Loss from discontinued operation, net of tax	22	**(32,570)**	(251,045)	**–**	–
Profit/(Loss) net of tax		**10,975**	(238,308)	**43,447**	(236,312)
Attributable to:					
Owners of the Company		**16,783**	(172,271)	**43,447**	(236,312)
Non-controlling interests		**(5,808)**	(66,037)	**–**	–
		10,975	(238,308)	**43,447**	(236,312)
Earnings/(Loss) per share attributable to owners of the Company (sen per share)					
Basic/Diluted, for profit from continuing operations	13	**43.5**	12.7	**–**	–
Basic/Diluted, for loss from discontinued operation	13	**(26.7)**	(185.0)	**–**	–
Basic/Diluted, for profit net of tax		**16.8**	(172.3)	**–**	–

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 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) net of tax	**10,975**	(238,308)	**43,447**	(236,312)
Other comprehensive income:				
Item that will not be reclassified to profit or loss:				
Revaluation surplus on property, plant and equipment, net	**1,300**	4,154	**340**	688
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	**(29,968)**	(5,004)	**–**	–
Cumulative fair value gain/(loss) on available-for-sale investment securities	**2,040**	(379)	**2,040**	(379)
Net fair value changes on cash flow hedges	**(1,278)**	51	**(1,318)**	91
	(29,206)	(5,332)	**722**	(288)
Other comprehensive income for the year, net of tax	**(27,906)**	(1,178)	**1,062**	400
Total comprehensive income for the year	**(16,931)**	(239,486)	**44,509**	(235,912)
Total comprehensive income attributable to:				
Owners of the Company	**(8,610)**	(172,708)	**44,509**	(235,912)
Non-controlling interests	**(8,321)**	(66,778)	**–**	–
Total comprehensive income for the year	**(16,931)**	(239,486)	**44,509**	(235,912)

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

Statements of Financial Position

As at 31 December 2013

		Group			Company	
		31.12.2013	31.12.2012	01.01.2012	31.12.2013	31.12.2012
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
			(restated*)	(restated*)		
Assets						
Non-current assets						
Property, plant and equipment	15	**82,521**	79,210	92,378	**25,236**	22,457
Prepaid land lease payments	16	**1,214**	1,173	1,254	**–**	–
Base inventory		**3,000**	3,000	3,000	**3,000**	3,000
Intangible assets	17	**8,157**	8,675	1,721	**–**	–
Investment in subsidiaries	18	**–**	–	–	**148,681**	148,681
Investment in associates and joint ventures	19	**107,426**	162,103	174,181	**56,168**	56,168
Investment securities	20	**7,098**	13,520	17,736	**7,098**	13,520
Other non-current assets	21	**7,211**	6,451	97,288	**–**	–
Other receivables	24	**7,520**	28,306	4,523	**7,520**	6,868
Deferred tax assets	33	**4,669**	5,413	17,950	**2,944**	4,241
		228,816	307,851	410,031	**250,647**	254,935
Current assets						
Inventories	23	**275,574**	243,592	303,122	**272,833**	157,503
Trade and other receivables	24	**69,432**	189,814	309,030	**81,756**	211,469
Other current assets	25	**4,762**	7,219	4,570	**2,651**	2,754
Tax recoverable		**3**	217	7,525	**–**	–
Derivative financial instruments	34	**–**	312	–	**–**	312
Cash, bank balances and deposits	26	**104,347**	139,061	235,697	**77,124**	93,805
		454,118	580,215	859,944	**434,364**	465,843
Assets of disposal group classified as held for sale	22	**125,679**	–	–	**–**	–
		579,797	580,215	859,944	**434,364**	465,843
Total assets		**808,613**	888,066	1,269,975	685,011	720,778

	Note	Group 31.12.2013 RM'000	Group 31.12.2012 RM'000 (restated*)	Group 01.01.2012 RM'000 (restated*)	Company 31.12.2013 RM'000	Company 31.12.2012 RM'000
Equity and liabilities						
Current liabilities						
Provisions	27	**54**	39,816	15,119	**–**	68,821
Borrowings	28	**344,053**	429,501	525,383	**344,053**	360,680
Trade and other payables	29	**98,649**	167,471	178,976	**99,325**	111,288
Current tax payable		**3,501**	4,414	20,600	**2,603**	4,392
Derivative financial instruments	34	**2,329**	116	419	**2,329**	116
		448,586	641,318	740,497	**448,310**	545,297
Liabilities directly associated with disposal group classified as held for sale	22	**143,046**	–	–	**–**	–
		591,632	641,318	740,497	**448,310**	545,297
Net current (liabilities)/assets		**(11,835)**	(61,103)	119,447	**(13,946)**	(79,454)
Non-current liabilities						
Provisions	27	**10,597**	41,006	39,742	**–**	–
Deferred tax liabilities	33	**992**	130	228	**–**	–
Borrowings	28	**24,623**	7,656	38,070	**24,623**	7,656
Derivative financial instruments	34	**113**	369	865	**113**	369
		36,325	49,161	78,905	**24,736**	8,025
Total liabilities		**627,957**	690,479	819,402	**473,046**	553,322
Net assets		**180,656**	197,587	450,573	**211,965**	167,456
Equity attributable to owners of the Company						
Share capital	30	**100,000**	100,000	100,000	**100,000**	100,000
Share premium	30	**76,372**	76,372	76,372	**74,666**	74,666
Other reserves	31	**7,263**	25,687	29,140	**6,393**	5,331
Retained earnings/(Accumulated losses)	32	**46,102**	29,319	212,074	**30,906**	(12,541)
		229,737	231,378	417,586	**211,965**	167,456
Reserve of disposal group classified as held for sale	22	**(6,969)**	–	–	**–**	–
		222,768	231,378	417,586	**211,965**	167,456
Non-controlling interests		**(42,112)**	(33,791)	32,987	**–**	–
Total equity		**180,656**	197,587	450,573	**211,965**	167,456
Total equity and liabilities		**808,613**	888,066	1,269,975	**685,011**	720,778

* Restated due to adoption of IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine as disclosed in Note 2.2.

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 2013

Group	Note	Total equity RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Revaluation 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
			← Attributable to owners of the Company →									
					← Non-distributable →						Distributable	
At 1 January 2012 (as previously stated)		452,040	419,053	100,000	76,372	18,678	10,551	–	(89)	–	213,541	32,987
Effect of adoption of IC Interpretation 20		(1,467)	(1,467)	–	–	–	–	–	–	–	(1,467)	–
At 1 January 2012 (as restated)		450,573	417,586	100,000	76,372	18,678	10,551	–	(89)	–	212,074	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		197,587	231,378	100,000	76,372	19,816	6,288	(379)	(38)	–	29,319	(33,791)

			← 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
At 1 January 2013 (as previously stated)		199,054	232,845	100,000	76,372	19,816	6,288	(379)	(38)	–	30,786	(33,791)
Effect of adoption of IC Interpretation 20		(1,467)	(1,467)	–	–	–	–	–	–	–	(1,467)	–
At 1 January 2013 (as restated)		**197,587**	**231,378**	**100,000**	**76,372**	**19,816**	**6,288**	**(379)**	**(38)**	**–**	**29,319**	**(33,791)**
Total comprehensive income		**(16,931)**	**(8,610)**	**–**	**–**	**1,300**	**(27,455)**	**2,040**	**(1,278)**	**–**	**16,783**	**(8,321)**
Reserve of disposal group classified as held for sale	22	**–**	**–**	**–**	**–**	**–**	**6,969**	**–**	**–**	**(6,969)**	**–**	**–**
At 31 December 2013		**180,656**	**222,768**	**100,000**	**76,372**	**21,116**	**(14,198)**	**1,661**	**(1,316)**	**(6,969)**	**46,102**	**(42,112)**

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

For the financial year ended 31 December 2013

	Note	Total equity	Share capital	← Share premium	Non-distributable Revaluation reserves	Available-for-sale reserves	Hedging reserves →	Distributable Retained earnings/ (Accumulated losses)
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
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)
At 1 January 2013		**167,456**	**100,000**	**74,666**	**5,708**	**(379)**	**2**	**(12,541)**
Total comprehensive income		**44,509**	**–**	**–**	**340**	**2,040**	**(1,318)**	**43,447**
At 31 December 2013		**211,965**	**100,000**	**74,666**	**6,048**	**1,661**	**(1,316)**	**30,906**

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 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Operating activities					
Profit/(Loss) before tax from continuing operations		**66,345**	36,075	**56,212**	(216,654)
Loss before tax from discontinued operation	22	**(32,570)**	(244,452)	**–**	–
Profit/(Loss) before tax, total		**33,775**	(208,377)	**56,212**	(216,654)
Adjustments for:					
Amortisation of intangible assets	4	**896**	946	**–**	–
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure	21	**384**	16,909	**–**	–
Amortisation of prepaid land lease payments	4	**58**	55	**–**	–
Bad debts written off	10	**–**	833	**–**	14
Impairment of investment in subsidiaries	11	**–**	–	**–**	73,400
Deferred mine exploration and evaluation expenditure written off	10	**–**	7,037	**–**	–
Depreciation	4	**6,902**	16,775	**2,353**	2,147
Dividend income received from a subsidiary	5	**–**	–	**(32,670)**	(15,246)
Dividend income received from an associate and a joint venture	5	**–**	–	**(17,278)**	(28)
Fair value changes in ineffective portion of derivatives designated as hedging instruments in cash flow hedge	7	**776**	(547)	**835**	(606)
Fair value changes in interest rate swap	7	**(210)**	(496)	**(210)**	(496)
Gain on disposal of property, plant and equipment	7	**(10)**	(560)	**(10)**	(132)
Impairment of receivables	24	**19,595**	33,496	**16,970**	134,251
Impairment of property, plant and equipment	22	**–**	9,860	**–**	–
Impairment of deferred mine development expenditure	22	**–**	53,970	**–**	–
Provision for employee benefits		**–**	2,226	**–**	–
Provision for mining cessation liabilities		**–**	20,653	**–**	–
Crystallisation of guarantee	10	**–**	–	**–**	68,821
(Reversal of impairment)/Impairment of investment in an associate and a joint venture, net	11	**(6,000)**	8,673	**–**	2,475
Impairment of investment securities	11	**12,876**	8,597	**12,876**	8,597
Interest expense	9,22	**13,528**	16,850	**12,933**	13,772
Interest income	6,22	**(8,569)**	(13,044)	**(7,317)**	(12,204)
Loss arising from cessation of significant influence in a former associate	10	**–**	975	**–**	106
Loss on disposal of an investment security	10	**41**	–	**41**	–
Project expenses written off	10	**2,426**	1,576	**–**	1,576
Prepaid land lease payments expensed off	16	**–**	6	**–**	–

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Operating activities (cont'd)					
Property, plant and equipment written off	10	**623**	91	**1**	–
Provision for severance benefits and mine rehabilitation, net		**1,232**	283	**–**	–
Revaluation deficit on property	10	**1**	80	**–**	–
Reversal of interest charged to a subsidiary	10	**–**	–	**24,494**	–
Reversal of impairment of receivables	11	**(656)**	–	**(1,490)**	–
Share of results of associates and joint ventures		**19,723**	(5,355)	**–**	–
Unrealised (gain)/loss on exchange		**(773)**	(2,068)	**6,049**	1,662
Unwinding of discount on provisions	9	**157**	136	**–**	–
Provision for inventory obsolescence	4	**–**	2,598	**–**	–
Waiver on advances received from a joint venture	7	**–**	–	**(9,817)**	–
Write down of inventories	4	**7,404**	26,782	**–**	–
Write down of tin slag inventory	4	**–**	23,545	**–**	–
Operating cash flows before changes in working capital		**104,179**	22,505	**63,972**	61,455
(Increase)/Decrease in inventories		**(111,994)**	6,914	**(115,330)**	(970)
Decrease in receivables		**99,963**	95,409	**103,245**	49,230
Increase in amounts due from subsidiaries		**–**	–	**(87,865)**	(61,169)
Decrease/(Increase) in amounts due from associates and joint ventures		**2,262**	(6,973)	**2,262**	(6,973)
(Decrease)/Increase in payables		**(5,788)**	(15,297)	**(21,118)**	12,531
Increase/(Decrease) in amount due to holding company		**27**	(17)	**27**	(17)
Increase/(Decrease) in amount due to subsidiaries		**–**	–	**16,916**	(2,601)
Increase in amount due to a joint venture		**9,113**	14,136	**9,113**	14,136
Cash generated from/(used in) operations		**97,762**	116,677	**(28,778)**	65,622
Income tax paid		**(26,351)**	(35,825)	**(17,306)**	(15,453)
Interest paid		**(13,162)**	(16,479)	**(12,551)**	(13,359)
Severance benefits paid	27	**(1,164)**	(208)	**–**	–
Net cash generated from/(used in) operating activities		**57,085**	64,165	**(58,635)**	36,810

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Investing activities					
Interest received		**7,550**	14,937	**5,768**	13,541
Net dividend received from an associate and a joint venture		**17,271**	21	**17,271**	21
Net dividend received from a subsidiary		**–**	–	**32,670**	11,434
Net receipt for an insurance scheme	27	**–**	2,851	**–**	–
Payment for deferred mine exploration and evaluation expenditure and deferred mine development expenditure	21	**(1,144)**	(3,425)	**–**	–
Payment for mine closure deposit		**(30,089)**	(21,438)	**–**	–
Payment for mining rights	17	**(378)**	(7,900)	**–**	–
Payment for prepaid land lease payments	16	**(60)**	–	**–**	–
Proceeds from disposal of an investment security		**3**	–	**3**	–
Proceeds from disposal of property, plant and equipment		**10**	2,067	**10**	174
Purchase of property, plant and equipment		**(6,439)**	(10,234)	**(4,685)**	(6,387)
Purchase of an investment security		**(3,933)**	–	**(3,933)**	–
Purchase of shares in a joint venture		**–**	(1,274)	**–**	(1,274)
Net cash (used in)/generated from investing activities		**(17,209)**	(24,395)	**47,104**	17,509
Financing activities					
Dividends paid on ordinary shares	14	**–**	(13,500)	**–**	(13,500)
Repayment of short term trade financing and other borrowings		**(99,479)**	(96,436)	**(46,949)**	(120,936)
Drawdown of term loan		**55,581**	–	**55,581**	–
Repayment of term loans		**(27,753)**	(30,000)	**(13,904)**	(4,472)
Net cash used in financing activities		**(71,651)**	(139,936)	**(5,272)**	(138,908)
Net decrease in cash and cash equivalents		**(31,775)**	(100,166)	**(16,803)**	(84,589)
Effect of changes in foreign exchange rates		**50**	475	**77**	(51)
Cash and cash equivalents as at 1 January		**134,800**	234,491	**92,521**	177,161
Cash and cash equivalents as at 31 December	26	**103,075**	134,800	**75,795**	92,521

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

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The Company is secondarily listed on the 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, 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 joint ventures are set out in Notes 18 and 19 respectively.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

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

2.2 Changes in accounting policies

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

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

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

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

2.2 Changes in accounting policies (cont'd)

Description	***Effective for annual periods beginning on or after***
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

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

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 and the Company'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. This standard has no material impact on the Group's financial position or performance.

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. This standard has no material impact on the Group's financial position or performance.

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

2.2 Changes in accounting policies (cont'd)

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 and the Company'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. This standard has no material impact on the Group's and the Company's financial position or performance.

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 states that an entity must recognise production stripping costs as part of an asset when all the following criteria are met:-

1. It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the entity
2. The entity can identify the component of an ore body for which access has been improved, and
3. The costs relating to the improved access to that component can be measured reliably.

Accordingly, at the earliest comparative period presented – 1 January 2012, the carrying amount of stripping costs net of tax included in other non-current assets under non-current assets of RM1,467,000 were adjusted to retained earnings.

The reconciliations of equity are provided below:

(i) Reconciliation of equity as at 1 January 2012

	Group			
	At 1 January 2012 (as previously stated)	**Deferred mine development expenditure**	**Deferred tax liabilities**	**At 1 January 2012 (as restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Other non-current assets	99,172	(1,884)	–	97,288
Non-current liabilities				
Deferred tax liabilities	645	–	(417)	228
Equity				
Retained earnings	213,541	(1,884)	417	212,074

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

2.2 Changes in accounting policies (cont'd)

(i) Reconciliation of equity as at 31 December 2012

	Group			
	At 31 December 2012 (as previously stated)	**Deferred mine development expenditure**	**Deferred tax liabilities**	**At 31 December 2012 (as restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Other non-current assets	8,335	(1,884)	–	6,451
Non-current liabilities				
Deferred tax liabilities	547	–	(417)	130
Equity				
Retained earnings	30,786	(1,884)	417	29,319

<u>Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities</u>

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 and the Company's financial position or performance.

2.3 Standards and interpretations issued but not yet effective

The Group and the Company have 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 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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

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

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

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group and the Company have not novated their derivatives during the current period. However, these amendments would be considered for future novation.

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. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but will not have an impact on classification and measurements of the Group's and the Company's financial liabilities. The Group and the Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.4 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

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

2.4 Basis of consolidation (cont'd)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries 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 interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 Financial Instruments: Recognition and Measurement ("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.

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.

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

2.5 Subsidiaries

A subsidiary is an entity over which the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. 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 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets ("MFRS 136") as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12. 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)

2.7 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 accumulated amortisation and accumulated impairment losses, if any.

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 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 accumulated 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 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.

2.8 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.

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

2.8 Mine exploration, evaluation and development expenditure (cont'd)

a) Deferred mine exploration and evaluation expenditure (cont'd)

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 accumulated 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. Waste removal (stripping) costs incurred during the production phase of a surface mine (production stripping costs) are only capitalised to deferred mine development expenditure when all the following criteria are met:-

a. It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the entity;
b. The entity can identify the component of an ore body for which access has been improved; and
c. The costs relating to the improved access to that component can be measured reliably.

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 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 depreciate 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, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.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 CGU's 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 their financial assets at initial recognition.

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

2.13 Financial assets (cont'd)

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.

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 statements 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 or 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, as 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 interest 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 interest 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 their 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 their rights to receive cash flows from the asset or have 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 have transferred control of the asset.

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

2.13 Financial assets (cont'd)

Derecognition (cont'd)

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if and to what extent they have retained the risks and rewards of ownership. When they have 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, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess 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

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 statements 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 statements 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 their 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.

Subsequent measurement

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

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

2.19 Financial liabilities (cont'd)

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 or 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 statements 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 measurement

The Group and the Company measure financial instruments, such as, derivatives, and non-financial assets such as properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 39(b).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group and the Company determine the policies and procedures for recurring fair value measurement, such as properties and unquoted available-for-sale ("AFS") financial assets.

External valuers may be involved for valuation of significant assets, such as properties and AFS financial assets. Involvement of external valuers is decided upon annually by the Company. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group and the Company analyse the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's and the Company's accounting policies. For this analysis, the Group and the Company verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group and the Company, in conjunction with the Group's and the Company's external valuers, also compare the changes in the fair value of each asset and liability with relevant external sources, where practical to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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 document 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.

Cash flow hedges

The Group and the Company use forward currency contracts as hedges of their 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.

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

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

Cash flow hedges *(cont'd)*

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 of 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 do 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.

2.23 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.

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

2.23 Foreign currencies (cont'd)

i) Transactions and balances (cont'd)

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.

2.26 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 they are acting as principals or agents. 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.

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

2.26 Revenue recognition (cont'd)

(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.

(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

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

2.28 Income tax (cont'd)

(b) Deferred tax (cont'd)

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.

(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.

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

2.29 Employee benefits (cont'd)

(c) Severance benefits

Certain subsidiaries operate a partly funded or unfunded, 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.

Re-measurements of the net defined benefit liability, comprises actuarial gains and losses, any change in the effect of the plan asset ceiling, excluding net interest on the net defined benefit liability and the return on plan assets excluding net interest on the net defined benefit liability, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss when plan amendment or curtailment occurs.

The amount recognised in the statements of financial position is the aggregate of the present value of the defined benefit obligation less the fair value of any plan asset at the reporting date. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

(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 they are 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 reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.31 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.

2.32 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 financial statements of the Group and the Company 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 and the Company'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:

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 20%, or over a "prolonged" period of 12 months or more.

For the financial year ended 31 December 2013, the amount of impairment losses recognised in profit or loss of the Group and the Company for available-for-sale financial assets is disclosed in Note 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 judgements 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 joint ventures and unquoted investment

The Group has subsidiaries, associates and joint ventures and unquoted investment which are principally involved in exploration, mining and processing of various minerals and metals.

The impairment assessments of the Group's investment in the subsidiaries, PT Koba Tin and PT MSC Indonesia, an associate, Guilin Hinwei Tin Co Ltd., a joint venture, KM Resources, Inc. and its unquoted investment in TMR Ltd. are based on fair value less costs to sell.

These require estimates and assumptions on the net assets, future prospect or expected commencement date for commercial production. Actual outcomes could differ from these estimates and assumptions.

The carrying amount at the reporting date for investment in subsidiaries, associates and joint ventures and unquoted investment is disclosed in Notes 18,19 and 20 respectively.

(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 subsequent to the cessation of production. Significant management judgement and estimation is required in determining the discount rate, the cessation date of production 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, expected future prices, 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 unutilised tax losses and unrecognised temporary differences.

The carrying value of deferred tax assets and unutilised tax losses of the Group and the Company at the reporting date are disclosed in Note 33.

3. Significant accounting judgements 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 business. Actual outcome may differ from expected outcome.

(h) Income taxes, deferred tax liabilities 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 or mining allowances and deductibility of certain expenses and temporary differences during the estimation of the provision for income taxes and deferred tax liabilities. 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. The amount of income tax expense recognised in profit or loss and the carrying amount of deferred tax liabilities at the reporting date are disclosed in Note 12 and Note 33 respectively.

(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, associates and joint ventures, 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 and mine restoration costs, recognition of deferred tax assets, deferred tax liabilities and tax recoverable, and depreciation and amortisation charges.

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

3.2 Key sources of estimation uncertainty (cont'd)

(j) Impairment of loans and receivables

The Group and the Company assess 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 and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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. Significant management judgement and estimation are required in determining the future cash flows and discount rate. Where expectations differ from original estimates, the differences will impact the carrying amount of the loan and receivables. The carrying amount of the Group's and the Company'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% (2012: 10%) from management's estimates, the Group's allowance for impairment will increase by RM752,000 (2012: RM263,000).

(k) Severance benefits scheme

The cost of severance benefits scheme as well as the present value of the severance benefit obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, expected rates of return of assets, future salary increases, mortality rates and future benefit increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, severance benefit obligations are highly sensitive to changes in these assumptions. The net benefit liability and assumptions used at the reporting date are disclosed in Note 27.

(l) 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 based on its best estimates and assumptions.

The determination of the amount of impairment of assets and provisions for liabilities requires judgement on the best estimates and assumptions.

The carrying amount of its assets and liabilities at the reporting date is disclosed in Note 22.

4. Profit/Loss) before tax

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations:				
After charging:				
Auditors' remuneration:				
- statutory audits	**435**	495	**280**	280
- under provision in prior years	**179**	69	**170**	90
Amortisation of prepaid land lease payments (Note 16)	**58**	55	**–**	–
Amortisation of mining rights (Note 17)	**851**	900	**–**	–
Amortisation of corporate club membership (Note 17)	**45**	46	**–**	–
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure (Note 21)	**384**	1,799	**–**	–
Consulting fees paid to a director of a subsidiary	**60**	60	**–**	–
Depreciation of property, plant and equipment (Note 15)	**5,444**	5,695	**2,353**	2,147
Directors' remuneration (Note 37(b)):				
- fees	**530**	530	**465**	465
- benefits-in-kind	**119**	126	**119**	126
- salaries and emoluments	**1,182**	1,191	**1,178**	1,178
Hire of equipment and vehicles	**84**	87	**84**	87
Provision for severance benefits (Note 27)	**–**	71	**–**	–
Rental of land and buildings	**443**	448	**1,942**	1,941
Provision for inventory obsolescence	**–**	1,098	**–**	–
Write down of inventories	**257**	–	**–**	–
and crediting:				
Reversal of provision for severance benefits, net (Note 27)	***90***	–	**–**	–

4. Profit/Loss) before tax (cont'd)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Discontinued operation: (Note 22)				
After charging:				
Auditors' remuneration:				
- statutory audits	**241**	391	**–**	–
- under provision in prior years	**126**	100	**–**	–
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure (Note 21)	**–**	15,110	**–**	–
Depreciation of property, plant and equipment (Note 15)	**1,458**	11,080	**–**	–
Directors' remuneration (Note 37(b)):				
- fees	**12**	344	**–**	–
Provision for severance benefits (Note 27)	**1,322**	–	**–**	–
Provision for mine rehabilitation (Note 27)	**–**	3,195	**–**	–
Rental of land and buildings	**124**	1,205	**–**	–
Secretarial fees payable to a director of a foreign subsidiary	**32**	65	**–**	–
Provision for inventory obsolescence	**–**	1,500	**–**	–
Write down of inventories	**7,147**	26,782	**–**	–
Write down of tin slag inventory	**–**	23,545	**–**	–
and crediting:				
Reversal of provision for severance benefits, net (Note 27)	–	2,983	**–**	–

5. Dividend income

	Company 2013 RM'000	Company 2012 RM'000
Dividend income from:		
Investment in subsidiaries		
- Unquoted in Malaysia	**32,670**	15,246
Investment in associates and joint ventures		
- Unquoted in Malaysia	**17,278**	28
	49,948	15,274

6. Interest income

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Subsidiaries	–	–	530	556
- Associates and joint ventures	823	319	823	319
- Deposits	3,610	4,454	1,851	3,087
- Tin sales	4,113	8,242	4,113	8,242
	8,546	13,015	7,317	12,204

Interest income does not include the amount attributable to discontinued operation.

7. Other income

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Other operating income	4,098	2,379	3,257	3,403
Gain on disposal of property, plant and equipment	10	560	10	132
Net foreign exchange gain/(loss)	3,738	4,227	(10,254)	4,526
Fair value changes in financial assets:				
- Interest rate swap	210	496	210	496
- Ineffective portion of derivatives designated as hedging instruments in cash flow hedge (Note 31)	(776)	547	(835)	606
Waiver on advances received from a joint venture	–	–	9,817	–
	7,280	8,209	2,205	9,163

Other income does not include the amount attributable to discontinued operation.

8. Employee benefits expense

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	39,606	37,563	24,573	23,079
Social security contribution	327	275	155	114
Contribution to defined contribution plan	4,504	4,443	3,286	2,977
Severance benefits (Note 27)	(90)	71	–	–
Other benefits	2,142	1,942	1,773	1,553
	46,489	44,294	29,787	27,723

The employee benefits expense includes directors' salaries and emoluments as disclosed in Note 4 but does not include the amount attributable to discontinued operation.

9. Finance costs

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses on bank borrowings	**12,823**	13,744	**12,823**	13,744
Interest expense paid to a subsidiary	**–**	–	**110**	28
Commitment fees	**15**	14	**15**	14
Unwinding of discount on provisions (Note 27)	**157**	136	**–**	–
	12,995	13,894	**12,948**	13,786

Finance costs do not include the amount attributable to discontinued operation.

10. Other expenses

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Administrative expenses	**13,561**	7,942	**11,662**	5,328
Marketing and distribution expenses	**1,315**	1,239	**1,315**	1,240
Bad debts written off	**–**	833	**–**	14
Property, plant and equipment written off	**623**	91	**1**	–
Project expenses written off	**2,426**	1,576	**–**	1,576
Deferred mine exploration and evaluation expenditure written off (Note 21)	**–**	7,037	**–**	–
Loss on disposal of an investment security	**41**	–	**41**	–
Loss arising from cessation of significant influence in a former associate	**–**	975	**–**	106
Revaluation deficit on property	**1**	80	**–**	–
Reversal of interest charged to a subsidiary	**–**	–	**24,494**	–
Crystallisation of guarantee (Note 27)	**–**	–	**–**	68,821
	17,967	19,773	**37,513**	77,085

Other expenses do not include the amount attributable to discontinued operation.

11. Impairment losses

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Impairment of investment in subsidiaries (Note 18)	**–**	–	**–**	73,400
Impairment of investment securities	**12,876**	8,597	**12,876**	8,597
Impairment of receivables (Note 24)	**2,705**	19,323	**16,970**	134,251
(Reversal of impairment)/Impairment of investment in associates and a joint venture, net	**(6,000)**	8,673	**–**	2,475
Reversal of impairment of receivables (Note 24)	**(656)**	–	**(1,490)**	–
	8,925	36,593	**28,356**	218,723

Impairment losses do not include the amount attributable to discontinued operation.

12. Income tax expense

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income statement				
Current income tax – continuing operations:				
Malaysian income tax	**25,649**	25,653	**15,562**	20,677
Under/(Over) provision in prior years:				
Malaysian income tax	**3**	(51)	**(38)**	157
	25,652	25,602	**15,524**	20,834
Foreign withholding tax	**(3,863)**	9	**(3,863)**	9
	21,789	25,611	**11,661**	20,843
Deferred tax – continuing operations (Note 33):				
Relating to origination and reversal of temporary differences	**1,045**	(1,301)	**1,110**	(1,228)
(Over)/Under provision in prior years	**(210)**	(972)	**(182)**	43
Relating to reduction in Malaysian income tax rate	**176**	–	**176**	–
	1,011	(2,273)	**1,104**	(1,185)
Income tax attributable to continuing operations	**22,800**	23,338	**12,765**	19,658
Income tax attributable to discontinued operation (Note 22)	**–**	6,593	**–**	–
Income tax expense recognised in profit or loss	**22,800**	29,931	**12,765**	19,658

12. Income tax expense (cont'd)

Major components of income tax expense (cont'd)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax related to other comprehensive income (Notes 31 and 33):				
Net surplus on revaluation of buildings	**496**	298	**108**	229
Cumulative fair value gain on available-for-sale investment securities	**525**	–	**525**	–
Net fair value changes on cash flow hedges	**(426)**	17	**(440)**	31
	595	315	**193**	260

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:-

	2013	**2012**
Australia	**30%**	30%
Indonesia	**25% and 30%**	25% and 30%
Singapore	**17%**	17%

Reconciliation between tax expense and accounting profit/(loss)

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before tax from continuing operations	**66,345**	36,075	**56,212**	(216,654)
Loss before tax from discontinued operation (Note 22)	**(32,570)**	(244,452)	**–**	–
Accounting profit/(loss) before tax	**33,775**	(208,377)	**56,212**	(216,654)
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	**8,444**	(52,094)	**14,053**	(54,164)
Effect of reduction in tax rate	**205**	–	**123**	–
Different tax rates in other countries	**(1,742)**	(12,844)	**–**	–
Income not subject to tax	**(24)**	(150)	**(14,958)**	(150)
Expenses not deductible for tax purpose	**27,709**	57,882	**17,630**	73,763
Utilisation of previously unrecognised tax losses	**(7,722)**	(2,281)	**–**	–
Deferred tax assets not recognised	**–**	33,072	**–**	–
Reversal of deferred tax assets	**–**	15,710	**–**	–
Under/(Over) provision of tax expense in prior years	**3**	(8,401)	**(38)**	157
- Continuing	**3**	(51)	**(38)**	157
- Discontinued	**–**	(8,350)	**–**	–
(Over)/Under provision of deferred tax in prior years	**(210)**	(972)	**(182)**	43
Foreign withholding tax	**(3,863)**	9	**(3,863)**	9
Income tax expense recognised in profit or loss	**22,800**	29,931	**12,765**	19,658

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

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

	Group	
	2013	**2012**
Profit from continuing operations (RM'000)	**43,545**	12,737
Loss from discontinued operation (RM'000)	**(26,762)**	(185,008)
Net profit/(loss) attributable to owners of the Company (RM'000)	**16,783**	(172,271)
Weighted average number of ordinary shares in issue ('000)	**100,000**	100,000
Basic/Diluted, earnings per share for:		
- Profit net of tax from continuing operations (sen)	**43.5**	12.7
- Loss net of tax from discontinued operation (sen)	**(26.7)**	(185.0)
Profit/(Loss) net of tax (sen)	**16.8**	(172.3)

14. Dividends

	Amount		Net dividend per share	
	2013	**2012**	**2013**	**2012**
Group and Company	**RM'000**	**RM'000**	**Sen**	**Sen**
Final dividend for 2011:				
18 sen less 25% tax per share paid on 8 June 2012	–	13,500	–	13.5
	–	13,500	–	13.5

The directors do not recommend the payment of any dividend for the financial years ended 31 December 2012 and 2013.

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 2013						
- At cost	–	–	279,122	3,984	3,366	286,472
- At valuation	20,819	19,535	–	–	–	40,354
	20,819	19,535	279,122	3,984	3,366	326,826
Additions	–	–	593	5,352	5,846	11,791
Attributable to disposal group classified as held for sale (Note 22)	–	(610)	(212,363)	–	–	(212,973)
Disposals/Written off	–	–	(2,155)	–	(217)	(2,372)
Transfer in/(out)	–	915	7,016	–	(7,931)	–
Revaluation adjustments	1,087	(20)	–	–	–	1,067
Exchange differences	–	135	14,851	–	–	14,986
At 31 December 2013	21,906	19,955	87,064	9,336	1,064	139,325
Representing:						
- At cost	–	–	87,064	9,336	1,064	97,464
- At valuation	21,906	19,955	–	–	–	41,861
At 31 December 2013	21,906	19,955	87,064	9,336	1,064	139,325
Accumulated depreciation and impairment losses						
At 1 January 2013	–	565	245,533	1,518	–	247,616
Attributable to disposal group classified as held for sale (Note 22)	–	(610)	(209,288)	–	–	(209,898)
Depreciation charge for the year	–	720	6,045	137	–	6,902
- Continuing (Note 4)	–	720	4,587	137	–	5,444
- Discontinued (Note 22)	–	–	1,458	–	–	1,458
Disposals/Written off	–	–	(1,749)	–	–	(1,749)
Elimination of accumulated depreciation on revaluation	–	(728)	–	–	–	(728)
Exchange differences	–	53	14,608	–	–	14,661
At 31 December 2013	–	–	55,149	1,655	–	56,804
Net carrying amount						
- At cost	–	–	31,915	7,681	1,064	40,660
- At valuation	21,906	19,955	–	–	–	41,861
At 31 December 2013	21,906	19,955	31,915	7,681	1,064	82,521

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 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
- Continuing (Note 4)	–	699	4,870	126	–	5,695
- Discontinued (Note 22)	–	896	10,184	–	–	11,080
Impairment loss recognised in profit or loss (Note 22)	–	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 RM5,352,000 (2012: RM1,634,000) relating to provision for mine restoration costs as disclosed in Note 27.

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 2013					
- At cost	–	–	48,343	1,988	50,331
- At valuation	–	9,000	–	–	9,000
	–	9,000	48,343	1,988	59,331
Additions	–	–	–	4,685	4,685
Disposals/Written off	–	–	(107)	–	(107)
Transfer in/(out)	–	–	6,025	(6,025)	–
Revaluation adjustments	–	200	–	–	200
At 31 December 2013	–	9,200	54,261	648	64,109
Representing:					
- At cost	–	–	54,261	648	54,909
- At valuation	–	9,200	–	–	9,200
At 31 December 2013	–	9,200	54,261	648	64,109
Accumulated depreciation and impairment losses					
At 1 January 2013	–	–	36,874	–	36,874
Depreciation charge for the year (Note 4)	–	248	2,105	–	2,353
Disposals/Written off	–	–	(106)	–	(106)
Elimination of accumulated depreciation on revaluation		(248)	–	–	(248)
At 31 December 2013	–	–	38,873	–	38,873
Net carrying amount					
- At cost	–	–	15,388	648	16,036
- At valuation	–	9,200	–	–	9,200
At 31 December 2013	–	9,200	15,388	648	25,236

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 (Note 4)	–	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)

Group

Freehold land and buildings owned by the Group were revalued in 2013 by the directors based on valuation carried out by independent firms of professional valuers as follows:

	Date of valuation	Description of property	Valuation Amount RM'000
(i)	31 Dec 2013	Land and tin smelting industrial complex in Butterworth	29,872
(ii)	31 Dec 2013	Office lots in Kuala Lumpur	5,200
(iii)	31 Dec 2013	80 units flats in Bukit Mertajam	4,000
(iv)	31 Dec 2013	Land and buildings in Daerah Hulu Perak	1,645
(v)	31 Dec 2013	Buildings in Air Kantung, Bangka Island, Indonesia	844
(vi)	31 Dec 2013	Buildings in Pangkal Pinang, Bangka Island, Indonesia	300
			41,861

Further details on the valuation are disclosed in Note 39(a).

Had the revalued properties been carried at historical cost less accumulated depreciation and accumulated 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 at the reporting date would be as follows:

	Group		Company	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Freehold land	**9,339**	9,339	**–**	–
Buildings	**10,251**	9,793	**5,885**	6,086

16. Prepaid land lease payments

Group	2013 RM'000	2012 RM'000
Leasehold land		
At 1 January	**1,173**	1,254
Additions	**60**	–
Exchange translation differences	**39**	(20)
Amortisation for the year (Note 4)	**(58)**	(55)
Expensed off to profit or loss	**–**	(6)
At 31 December	**1,214**	1,173
Analysed as:		
Long term leasehold land	**327**	270
Short term leasehold land	**887**	903
	1,214	1,173
Amount to be amortised:		
- Not later than one year	**58**	55
- Later than one year but not later than five years	**232**	222
- Later than five years	**924**	896
	1,214	1,173

The long term leasehold land has unexpired lease periods of between 55 and 99 years (2012: 56 and 99 years). The short term leasehold land has unexpired lease periods of between 6 and 21 years (2012: 1 and 22 years).

17. Intangible assets

Group	Mining rights RM'000	Goodwill RM'000	Corporate club memberships RM'000	Total RM'000
Cost				
At 1 January 2013	**20,003**	**657**	**863**	**21,523**
Additions	**378**	**–**	**–**	**378**
At 31 December 2013	**20,381**	**657**	**863**	**21,901**
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

17. Intangible assets (cont'd)

Group	Mining rights RM'000	Goodwill RM'000	Corporate club memberships RM'000	Total RM'000
Accumulated amortisation and impairment losses				
At 1 January 2013	**11,991**	**657**	**200**	**12,848**
Amortisation for the year (Note 4)	**851**	**–**	**45**	**896**
At 31 December 2013	**12,842**	**657**	**245**	**13,744**
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
Net carrying amount				
At 31 December 2013	**7,539**	**–**	**618**	**8,157**
At 31 December 2012	8,012	–	663	8,675

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 were 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	31.12.2013 RM'000	31.12.2012 RM'000
Unquoted shares, at cost	**166,553**	223,428
Less: Accumulated impairment losses	**(17,872)**	(74,747)
	148,681	148,681

18. Investment in subsidiaries (cont'd)

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. had 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 as at 31 December 2012. As at 31 December 2013, the investment in Bemban Corporation Ltd. has been presented as "assets of disposal group classified as held for sale" as disclosed in Note 22.

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 as 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 held by the Group^		Proportion of ownership interest held by non-controlling interests^	
			31.12.2013	31.12.2012	31.12.2013	31.12.2012
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. ("BCL")*	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:						
Held by BCL						
Kajuara Mining Corporation Pty. Ltd. **	Australia	Investment holding	**100#**	100#~	**–**	–
PT Koba Tin **	Indonesia	Tin mining and smelting	**75#**	75#~	**25**	25
PT Bangka Resources***	Indonesia	Dormant	**100#**	100#~	**–**	–
Held by SRM						
PT SRM Indonesia ("PT SRM")***	Indonesia	Providing tin exploration, management and consulting services	**99#**	99#	**1**	1

^ equals to the proportion of voting rights held
* 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
~ Presented as "assets of disposal group classified as held for sale" as disclosed in Note 22

Summarised financial information of PT Koba Tin which has non-controlling interest that is material to the Group is disclosed in Note 22. The non-controlling interest in respect of PT SRM is not material to the Group.

19. Investment in associates and joint ventures

	Group		Company	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Investment in associates				
In Malaysia:				
Unquoted shares, at cost	**10,473**	10,473	**10,473**	10,473
Share of post–acquisition reserves	**12,278**	12,480	**–**	–
	22,751	22,953	**10,473**	10,473
Outside Malaysia:				
Unquoted shares, at cost	**18,431**	18,431	**18,431**	18,431
Share of post–acquisition reserves	**(5,558)**	(5,558)	**–**	–
	12,873	12,873	**18,431**	18,431
Accumulated impairment losses	**(12,873)**	(12,873)	**(18,431)**	(18,431)
	–	–	**–**	–
	22,751	22,953	**10,473**	10,473
Investment in joint ventures				
In Malaysia:				
Unquoted shares, at cost	**44,421**	44,421	**44,421**	44,421
Share of post–acquisition reserves	**40,854**	100,055	**–**	–
	85,275	144,476	**44,421**	44,421
Accumulated impairment losses	**(600)**	(6,600)	**–**	–
	84,675	137,876	**44,421**	44,421
Outside Malaysia:				
Unquoted shares, at cost	**1,274**	1,274	**1,274**	1,274
Share of post–acquisition reserves	**(1,274)**	–	**–**	–
	–	1,274	**1,274**	1,274
	84,675	139,150	**45,695**	45,695
Total investment in associates and joint ventures	**107,426**	162,103	**56,168**	56,168

19. Investment in associates and joint ventures (cont'd)

Impairment assessment

(i) Investment in associates

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* 31.12.2013 %	31.12.2012 %	Accounting model applied
Held by the Company:					
Redring Solder (M) Sdn. Bhd. ("Redring")	Malaysia	Manufacture and sale of solder products	**40**	40	Equity method
Guilin Hinwei Tin Co Ltd. ("Guilin")	China	Smelting, refining and sales of tin and tin products	**35**	35	Equity method

* equals to the proportion of voting rights held

These associates have the same reporting period as the Group. No quoted market prices are available for the shares of Redring and Guilin as these are private companies.

Summarised financial information of Redring, a material associate is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the associate and not the Group's share of those amounts.

Summarised statement of financial position

	Redring 31.12.2013 RM'000	31.12.2012 RM'000
Non-current assets	**20,081**	20,861
Current assets	**44,249**	45,278
Total assets	**64,330**	66,139
Non-current liabilities	**174**	294
Current liabilities	**7,279**	8,462
Total liabilities	**7,453**	8,756
Net assets	**56,877**	57,383

19. Investment in associates and joint ventures (cont'd)

(i) Investment in associates (cont'd)

Summarised statement of comprehensive income

	Redring	
	2013	**2012**
	RM'000	**RM'000**
Revenue	**78,625**	85,782
(Loss)/Profit before tax	**(422)**	4,424
(Loss)/Profit for the year	**(453)**	4,563
Other comprehensive income	**–**	–
Total comprehensive income	**(453)**	4,563
Dividend received from the associate during the year	**53**	53

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate:

	Redring	
	2013	**2012**
	RM'000	**RM'000**
Net assets at 1 January	**57,383**	52,873
(Loss)/Profit for the year	**(453)**	4,563
Other comprehensive income	**–**	–
Dividend received from the associate during the year	**(53)**	(53)
Net assets at 31 December	**56,877**	57,383
Interest in associate	**40%**	40%
Carrying value of Group's interest in associate	**22,751**	22,953

Aggregate information of associate that is not individually material

	2013	**2012**
	RM'000	**RM'000**
The Group's share of loss before tax	**–**	(349)
The Group's share of loss after tax	**–**	(349)
The Group's share of other comprehensive income	**–**	(54)
The Group's share of total comprehensive income	**–**	(403)

19. Investment in associates and joint ventures (cont'd)

(ii) Investment in joint ventures

Details of the joint ventures of the Group and the Company are as follows:

Name of joint venture	Country of incorporation	Proportion of ownership interest* 31.12.2013 %	Proportion of ownership interest* 31.12.2012 %	Nature of relationship	Accounting model applied
Held by the Company:					
KM Resources, Inc ("KMR")	Labuan, Malaysia	**30**	30	Note (i)	Equity method
Africa Smelting Corporation Sprl ("ASC")	Democratic Republic of Congo	**40**	40	Note (ii)	Equity method

* equals to the proportion of voting rights held

These joint ventures have the same reporting period as the Group. No quoted market prices are available for the shares of KMR and ASC as these are private companies.

(i) KMR is an investment holding company with subsidiaries in the Philippines involved in the mining and processing of copper, gold, zinc and silver.

(ii) The principal activity of ASC is the smelting of tin.

During the financial year ended 31 December 2013, the Group carried out a review of the recoverable amount of its investment in KM Resources, Inc. A reversal of impairment of RM6,000,000 was recognised in profit or loss of the Group. The recoverable amount was based on fair value less costs to sell.

Summarised financial information of KMR Group, a material joint venture, is set out below. The summarised information represents the amounts in the MFRS financial statements of the joint venture and not the Group's share of those amounts.

19. Investment in associates and joint ventures (cont'd)

(ii) Investment in joint ventures (cont'd)

Summarised statement of financial position

	KMR Group	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Non-current assets	**27,238**	180,162
Cash and cash equivalents	**121,278**	27,842
Other current assets	**194,190**	306,961
Total current assets	**315,468**	334,803
Total assets	**342,706**	514,965
Current liabilities (excluding trade and other payables and provisions)	**3,496**	7,253
Trade and other payables and provisions	**19,726**	7,239
Total current liabilities	**23,222**	14,492
Non-current liabilities (excluding trade and other payables and provisions)	**11**	2,432
Trade and other payables and provisions	**35,222**	16,454
Total non-current liabilities	**35,233**	18,886
Total liabilities	**58,455**	33,378
Net assets	**284,251**	481,587

Summarised statement of comprehensive income

	KMR Group	
	2013	**2012**
	RM'000	**RM'000**
Revenue	**289,613**	384,660
Depreciation and amortisation	**(158,683)**	(113,570)
Interest income	**105**	344
Interest expense	**(68)**	(511)
(Loss)/Profit before tax	**(67,343)**	19,267
Income tax expense	**(4,587)**	(5,455)
(Loss)/Profit after tax	**(71,930)**	13,812
Non-controlling interest	**11,039**	(214)
(Loss)/Profit after tax- attributable to owners of the Company	**(60,891)**	13,598
Other comprehensive income	**(46,222)**	(17,641)
Total comprehensive income	**(107,113)**	(4,043)
Dividend received from the joint venture during the year	**57,500**	–

19. Investment in associates and joint ventures (cont'd)

(ii) Investment in joint ventures (cont'd)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint venture:

	KMR Group	
	2013	**2012**
	RM'000	**RM'000**
Net assets at 1 January	**481,587**	485,630
(Loss)/Profit for the year	**(60,891)**	13,598
Other comprehensive income	**(46,222)**	(17,641)
Dividend received from the joint venture during the year	**(57,500)**	–
Waiver on amount due from shareholders	**(32,723)**	–
Net assets at 31 December	**284,251**	481,587
Interest in joint venture	**30%**	30%
	85,275	144,476
Cumulative impairment	**(600)**	(6,600)
Carrying value of Group's interest in joint venture	**84,675**	137,876

Aggregate information of joint venture that is not individually material

	2013	**2012**
	RM'000	**RM'000**
The Group's share of loss before tax	**(1,274)**	–
The Group's share of loss after tax	**(1,274)**	–
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**(1,274)**	–

20. Investment securities

Group and Company	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**
Available-for-sale ("AFS") investments:		
- Quoted shares, at fair value	**7,098**	4,387
- Unquoted investment, at fair value	**–**	9,133
	7,098	13,520

(a) Quoted shares, at fair value

The quoted shares at fair value at the reporting date comprise the investment in Asian Mineral Resources Limited ("AMR"), a company incorporated in Canada and listed on Toronto Venture Exchange and Alphamin Resources Corp. ("Alphamin"), a Canadian-based mineral exploration company and listed on Toronto Venture Exchange targeting tin. During the financial year ended 31 December 2013, the Group and the Company recognised an impairment loss of RM1,916,000 and RM1,865,000 (2012: Nil) in profit or loss for AMR and Alphamin respectively, as there was a "significant" or "prolonged" decline in the fair value of these investments.

20. Investment securities (cont'd)

(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.

During the financial year ended 31 December 2013, the Group and the Company recognised a full impairment loss of RM9,133,000 (2012: RM8,585,000) being the remaining carrying value of the investment in profit or loss as the operations had been suspended and there is no indication that it would resume.

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 2013 (as previously stated)	**5,118**	**3,217**	**8,335**
Effect of adoption of IC Interpretation 20	**–**	**(1,884)**	**(1,884)**
At 1 January 2013 (as restated)	**5,118**	**1,333**	**6,451**
Additions	**184**	**960**	**1,144**
Amortisation to profit or loss (Note 4)	**(549)**	**165**	**(384)**
At 31 December 2013	**4,753**	**2,458**	**7,211**
At 1 January 2012 (as previously stated)	20,542	78,630	99,172
Effect of adoption of IC Interpretation 20	–	(1,884)	(1,884)
At 1 January 2012 (as restated)	20,542	76,746	97,288
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	(1,568)	(15,341)	(16,909)
- Continuing (Note 4)	(1,568)	(231)	(1,799)
- Discontinued (Note 22)	–	(15,110)	(15,110)
Written off to profit or loss (Note 10)	(7,037)	–	(7,037)
Impairment loss recognised in profit or loss (Note 22)	–	(53,970)	(53,970)
Exchange differences	(484)	(2,513)	(2,997)
At 31 December 2012 (as restated)	5,118	1,333	6,451

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 areas have not reached a stage that permits reasonable assessment of the existence of economically recoverable ore reserves and resources.

During the financial year ended 31 December 2012, the project costs incurred under the Mining Co-operation Agreement with 2 Indonesian parties, which had been included under deferred mine exploration and evaluation expenditure and deferred mine development expenditure amounting to RM8,234,000 and RM5,115,000 respectively had been derecognised following the change in Mining Law in Indonesia.

22. Disposal group classified as held for sale and discontinued operation

As at 31 December 2013, the Board considers Bemban Corporation Limited ("BCL") group companies comprising BCL, Kajuara Mining Corporation Pty. Ltd., PT Koba Tin and PT Bangka Resources met the criteria to be classified as held for sale at that date for the following reasons:

- The BCL Group is available for immediate sale and can be sold to a potential buyer in its current condition.
- The Board has a plan to sell the BCL Group and has entered into preliminary negotiations with potential buyers.
- The Board expects negotiations to be finalised and the sale to be completed within twelve months from 31 December 2013.

Accordingly, the assets and liabilities related to BCL Group have been presented in the consolidated statement of financial position of the Group as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale" as at 31 December 2013, and its results are presented separately on the consolidated income statement as "Loss from discontinued operation, net of tax" for the year then ended.

Statements of financial position disclosures

The major classes of assets and liabilities of BCL Group classified as held for sale and the related foreign currency translation reserves in the consolidated statement of financial position of the Group as at 31 December 2013 were as follows:

		Group 31.12.2013 RM'000
Assets:		
Property, plant and equipment (Note 15)		**3,075**
Other receivables – mine closure deposits (Note 27(b))		**55,042**
Inventories		**67,494**
Other current assets		**11**
Cash and cash equivalents (Note 26)		**57**
Assets of disposal group classified as held for sale		**125,679**
Liabilities:		
Provisions	(i)	**81,800**
Trade and other payables	(ii)	**61,246**
Liabilities directly associated with disposal group classified as held for sale		**143,046**
Net liabilities of disposal group classified as held for sale		**(17,367)**
Reserve:		
Foreign currency translation reserves, representing reserve of disposal group classified as held for sale		**(6,969)**

	Group 31.12.2013 RM'000
i) Provisions include:-	
- Severance benefits (Note 27)	11,170
- Mine rehabilitation (Note 27)	46,062
- Employee benefits	2,390
- Mining cessation liabilities	22,178
	81,800

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

ii) Trade and other payables consist of trade payables amounting to RM5,985,000 and other payables and accruals amounting to RM55,261,000.

The non-current asset classified as held for sale on the separate statement of financial position of the Company as at 31 December 2013 is as follows:

	Company 31.12.2013 RM'000
Assets:	
Investment in subsidiaries	
Unquoted shares, at cost	**56,875**
Less: Accumulated impairment losses	**(56,875)**
	–

Statement of comprehensive income disclosures

The results of BCL Group for the years ended 31 December were as follows:

	Group	
	2013 RM'000	2012 RM'000
Revenue	**41,132**	143,002
Interest income	**23**	29
Other income	**274**	2,370
Costs of tin mining	**(36,444)**	(221,701)
Employee benefits expense	**(10,058)**	(20,590)
Depreciation expense (Note 15)	**(1,458)**	(11,080)
Amortisation expense (Note 21)	**–**	(15,110)
Impairment losses	**(16,890)**	(78,003)
Finance costs	**(705)**	(3,106)
Other expenses	**(8,444)**	(40,263)
Total expense	**(73,999)**	(389,853)
Loss before tax (Note 4)	**(32,570)**	(244,452)
Income tax expense (Note 12)	**–**	(6,593)
Loss net of tax	**(32,570)**	(251,045)
Attributable to:		
Owners of the Company	**(26,762)**	(185,008)
Non-controlling interests	**(5,808)**	(66,037)
	(32,570)	(251,045)

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

The following items have been included in arriving at loss before tax from discontinued operation:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Employee benefits expense		
- Wages and salaries	**8,059**	21,842
- Contribution to defined contribution plan	**219**	764
- Severance benefits	**1,322**	(2,983)
- Other benefits	**458**	967
	10,058	20,590

	Group	
	2013	**2012**
	RM'000	**RM'000**
Impairment losses		
- Impairment of receivables (Note 24)	**16,890**	14,173
- Impairment of property, plant and equipment (Note 15)	**–**	9,860
- Impairment of deferred mine development expenditure (Note 21)	**–**	53,970
	16,890	78,003

<u>Major components of income tax expense related to loss from discontinued operation</u>

The major components of income tax expense related to loss from discontinued operation for the financial years ended 31 December were as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Current income tax		
- Foreign tax	**–**	1,017
- Over provision in prior years	**–**	(8,350)
	–	(7,333)
Deferred tax		
- Relating to origination and reversal of temporary differences	**–**	(1,784)
- Reversal of deferred tax assets	**–**	15,710
	–	13,926
Income tax expense attributable to discontinued operation	**–**	6,593

<u>Statement of cash flows disclosures</u>

	Group	
	2013	**2012**
	RM'000	**RM'000**
Operating	**101,293**	8,806
Investing	**(30,066)**	(18,591)
Financing	**(69,042)**	(4,087)
Net cash inflows/(outflows)	**2,185**	(13,872)

23. Inventories

	Group		Company	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**259,347**	142,795	**260,342**	142,967
Other inventories (stores, spares, fuels, coal and saleable by-products)	**16,227**	17,089	**12,491**	14,536
	275,574	159,884	**272,833**	157,503
At net realisable value:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**–**	83,708	**–**	–
	275,574	243,592	**272,833**	157,503

24. Trade and other receivables

		Group		Company	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
Non-current					
Other receivables					
Deposits	(i)	**–**	21,438	**–**	–
Joint venture	(ii)	**8,026**	6,868	**8,026**	6,868
		8,026	28,306	**8,026**	6,868
Allowance for impairment					
- Joint venture		**(506)**	–	**(506)**	–
Other receivables, net		**7,520**	28,306	**7,520**	6,868
Current					
Trade receivables					
Third parties		**66,300**	168,579	**65,806**	168,039
Subsidiaries	(iii)	**–**	–	**57,297**	53,359
Associate	(iv)	**1,601**	4,419	**1,601**	4,419
		67,901	172,998	**124,704**	225,817
Allowance for impairment					
- Third parties		**(9,150)**	(8,477)	**(9,150)**	(8,477)
- Subsidiary		**–**	–	**(57,297)**	(53,359)
Trade receivables, net		**58,751**	164,521	**58,257**	163,981

24. Trade and other receivables (cont'd)

		Group		Company	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
Other receivables					
Third parties		**44,787**	71,557	**23,029**	23,087
Subsidiaries	(iii)	**–**	–	**116,266**	115,217
Joint ventures		**94**	5	**94**	5
		44,881	71,562	**139,389**	138,309
Allowance for impairment					
- Third parties		**(35,505)**	(47,530)	**(17,710)**	(17,588)
- Subsidiaries		**–**	–	**(98,946)**	(73,999)
Other receivables, net		**9,376**	24,032	**22,733**	46,722
Deposits		**1,305**	1,261	**766**	766
		10,681	25,293	**23,499**	47,488
Total trade and other receivables (current)		**69,432**	189,814	**81,756**	211,469
Total trade and other receivables (current and non-current) excluding deposits		**75,647**	195,421	**88,510**	217,571
Add: Cash and bank balances (Note 26)		**104,347**	139,061	**77,124**	93,805
Total loans and receivables		**179,994**	334,482	**165,634**	311,376

Credit risk

The Group's and the Company'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 38(d).

(i) Deposits

These are the deposits for mine closure guarantee placed by PT Koba Tin. The amount placed was increased to RM55,042,000 during the financial year and was reclassified to assets of disposal group classified as held for sale at the reporting date. Such a deposits will be utilised in carrying out the rehabilitation of the mine subsequent to the cessation of production of the mine.

(ii) Amount due from a joint venture

The amount is due from Africa Smelting Corporation Sprl. This is an unsecured term loan bearing interest at LIBOR from 1 January 2013 to 31 December 2013 and 10% per annum from 1 January 2014. This term loan is repayable in 12 equal quarterly instalments with effect from 1 January 2016.

(iii) Amounts due from subsidiaries

These are unsecured and repayable on demand. Included in amounts due from subsidiaries are unsecured advances amounting to RM17.32 million (2012: RM18.15 million) where interest rate of 3.0% (2012: 3.0%) per annum is charged.

As disclosed in Note 27, the Company has fully settled a subsidiary's borrowings on its behalf amounting to RM 68.821 million during the financial year. The fair value of this amount recoverable from the subsidiary at initial recognition and as at 31 December 2013 is RM1.00.

(iv) Amount due from an associate

These are unsecured, interest free and subject to the Group's and the Company's normal credit terms which range from cash term to 90 days.

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

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

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 2013			
Not past due	**62,361**	**506**	**61,855**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**2,939**	**–**	**2,939**
61 to 90 days	**122**	**–**	**122**
91 to 120 days	**258**	**–**	**258**
More than 120 days	**55,128**	**44,655**	**10,473**
	58,447	**44,655**	**13,792**
Total	**120,808**	**45,161**	**75,647**
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
Company			
At 31 December 2013			
Not past due	**161,831**	**83,568**	**78,263**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**2,939**	**–**	**2,939**
61 to 90 days	**122**	**–**	**122**
91 to 120 days	**258**	**–**	**258**
More than 120 days	**106,969**	**100,041**	**6,928**
	110,288	**100,041**	**10,247**
Total	**272,119**	**183,609**	**88,510**

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

<u>Receivables that are neither past due nor impaired</u>

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, the Group and the Company have trade receivables arising from export sales amounting to RM7,502,000 (2012: RM10,093,000) which are to be settled via letters of credit issued by reputable banks in the countries where the customers are based.

<u>Receivables that are past due but not impaired</u>

The Group and the Company have trade and other receivables amounting to RM8,663,000 (2012: RM8,646,000) and RM5,118,000 (2012: RM2,939,000) 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.

<u>Receivables that are impaired</u>

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 were as follows:

	Group		Company	
	Individually impaired			
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Trade and other receivables-nominal amounts	**57,810**	74,717	**196,258**	177,917
Less: Allowance for impairment	**(45,161)**	(56,007)	**(183,609)**	(153,423)
	12,649	18,710	**12,649**	24,494

24. Trade and other receivables (cont'd)

Receivables that are impaired (cont'd)

Movement in the allowance accounts:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	**56,007**	22,803	**153,423**	19,234
Attributable to disposal group classified as held for sale	**(32,359)**	–	**–**	–
Impairment for the year (Note 4)	**19,595**	33,496	**16,970**	134,251
- Continuing (Note 11)	**2,705**	19,323	**16,970**	134,251
- Discontinued (Note 22)	**16,890**	14,173	**–**	–
Reversal of impairment for the year (Note 11)	**(656)**	–	**(1,490)**	–
Exchange adjustment	**2,574**	(292)	**14,706**	(62)
At 31 December	**45,161**	56,007	**183,609**	153,423

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.

25. Other current assets

	Group		Company	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Prepaid operating expenses	**4,762**	7,219	**2,651**	2,754

26. Cash, bank balances and deposits

	Group		Company	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	**7,972**	16,881	**7,644**	7,827
Deposits of up to three months maturity with licensed banks	**95,046**	120,896	**68,151**	84,694
	103,018	137,777	**75,795**	92,521
Deposit of more than three months maturity with a licensed bank	**1,329**	1,284	**1,329**	1,284
	104,347	139,061	**77,124**	93,805

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between two 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 2013 for the Group and the Company were 3.1% (2012: 2.7%) and 3.1% (2012: 2.5%) per annum respectively.

26. Cash, bank balances and deposits (cont'd)

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

	Group		Company	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Cash and short term deposits:				
- Continuing operations	**103,018**	137,777	**75,795**	92,521
- Discontinued operation (Note 22)	**57**	–	**–**	–
	103,075	137,777	**75,795**	92,521
Bank overdrafts (Note 28)	**–**	(2,977)	**–**	–
Cash and cash equivalents	**103,075**	134,800	**75,795**	92,521

27. Provisions

Group	31.12.2013 RM'000	31.12.2012 RM'000
Severance benefits	**546**	10,458
Mine rehabilitation	**105**	42,994
Mine restoration	**10,000**	4,491
	10,651	57,943
Employee benefits	**–**	2,226
Mining cessation liabilities	**–**	20,653
	10,651	80,822
Current	**54**	39,816
Non-current	**10,597**	41,006
Company		
Current:		
Crystallisation of guarantee (Note 10)	**–***	68,821

* During the year, the bank guarantee has been fully discharged by the Company upon full settlement of the subsidiary's borrowings on its behalf.

27. Provisions (cont'd)

Group	Severance benefits RM'000	Mine rehabilitation RM'000	Mine restoration RM'000	Total RM'000
At 1 January 2013	**10,458**	**42,994**	**4,491**	**57,943**
Provision during the year, net (Notes 4 and 15)	**1,232**	**–**	**5,352**	**6,584**
- Continuing	**(90)**	**–**	**5,352**	**5,262**
- Discontinued	**1,322**	**–**	**–**	**1,322**
Unwinding of discount on provision (Note 9)	**–**	**–**	**157**	**157**
Paid/Utilised during the year	**(15,338)**	**–**	**–**	**(15,338)**
Plan asset (Note 27(a)(i))	**14,174**	**–**	**–**	**14,174**
Reclassification	**469**	**–**	**–**	**469**
Attributable to disposal group classified as held for sale (Note 22)	**(11,170)**	**(46,062)**	**–**	**(57,232)**
Exchange differences	**721**	**3,173**	**–**	**3,894**
At 31 December 2013	**546**	**105**	**10,000**	**10,651**
At 1 January 2012	10,852	41,288	2,721	54,861
(Reversal of provision)/Provision during the year, net (Notes 4 and 15)	(2,912)	3,195	1,634	1,917
- Continuing	71	–	1,634	1,705
- Discontinued	(2,983)	3,195	–	212
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 31 December 2013				
Current	**54**	**–**	**–**	**54**
Non-current:				
Later than 1 year but not later than 2 years	**–**	**–**	**–**	**–**
Later than 2 years but not later than 5 years	**–**	**105**	**–**	**105**
Later than 5 years	**492**	**–**	**10,000**	**10,492**
	492	**105**	**10,000**	**10,597**
	546	**105**	**10,000**	**10,651**
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

27. Provisions (cont'd)

(a) Severance benefits

Certain subsidiaries operate a partly funded or unfunded, Severance Benefits Scheme ("the Scheme") for their eligible employees. Under the Scheme, eligible permanent employees confirmed in service may entitle 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 or early retirement due to ill-health. The obligations under the Scheme are determined based on actuarial valuation.

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

	Group	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations	**546**	29,713
Fair value of plan asset	**–**	(20,295)
Unrecognised actuarial gains	**–**	1,040
Net liability	**546**	10,458
Analysed as:		
Current	**54**	10,291
Non-current:		
Later than 1 year but not later than 2 years	**–**	–
Later than 2 years but not later than 5 years	**–**	–
Later than 5 years	**492**	167
	492	167
	546	10,458

The amounts recognised in profit or loss were as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Current service cost	**57**	37
Interest cost	**13**	9
Past services costs	**(160)**	25
Total, included in employee benefits expense (Note 8)	**(90)**	71

27. Provisions (cont'd)

(a) Severance benefits (contd.)

Movements in the net liability are as follows:

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	**10,458**	10,852
Recognised in profit or loss (Note 4)	**1,232**	(2,912)
- Continuing	**(90)**	71
- Discontinued	**1,322**	(2,983)
Contribution paid	**(15,338)**	(208)
Plan asset	**14,174**	2,851
Reclassification	**469**	–
Attributable to disposal group classified as held for sale	**(11,170)**	–
Exchange differences	**721**	(125)
At 31 December	**546**	10,458

Movements in the fair value of plan asset:

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	**20,295**	37,648
Expected return	**567**	3,180
Contribution by employer	**–**	633
Funds withdrawal	**(14,174)**	(3,484)
Curtailment and settlement	**–**	(8,412)
Benefits paid	**(37)**	(5,436)
Actuarial losses	**–**	(329)
Attributable to disposal group classified as held for sale	**(3,186)**	–
Exchange differences	**(3,465)**	(3,505)
At 31 December	**–**	20,295

Principal actuarial assumptions used:

	Group 31.12.2013 % per annum	Group 31.12.2012 % per annum
Discount rate	**5.25 - 5.96**	3.25 - 5.96
Expected rate of salary increases	**6.00 - 10.00**	7.00 - 10.00

27. Provisions (cont'd)

(a) Severance benefits (cont'd)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the severance benefits obligation.

	Increase (+)/decrease (-)	31.12.2013 Increase/(Decrease) in severance benefits obligation RM'000
Discount rate	+1%	(44)
	-1%	44
Salary increment rate	+1%	30
	-1%	(30)

(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 (2012: 9.5% per annum).

(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.

At the reporting date, the carrying amount of the provision for rehabilitation of PT Koba Tin's mine amounted to RM46,062,000 (2012: RM42,897,000). As disclosed in Note 22 and Note 24(i), PT Koba Tin has placed its deposits for mine closure guarantee of RM55,042,000 (2012: RM21,438,000) which will be utilised in carrying out the rehabilitation of the mine subsequent to the cessation of production of the mine. Both the provision for mine rehabilitation and deposit for mine closure were reclassified to liabilities and assets of disposal group classified as held for sale respectively at the reporting date.

28. Borrowings

	Group		Company	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Short term borrowings				
Unsecured:				
Bank overdrafts	–	2,977	–	–
Short term trade financing	**88,355**	88,603	**88,355**	88,603
Bankers' acceptances	**227,746**	256,764	**227,746**	256,764
Revolving credit	–	52,063	–	–
Revolving credit (restructured)	**8,221**	15,313	**8,221**	15,313
Term loan 1	–	13,781	–	–
Term loan 2	**19,731**	–	**19,731**	–
	344,053	429,501	**344,053**	360,680
Long term borrowings				
Unsecured:				
Revolving credit (restructured)	–	7,656	–	7,656
Term loan 2	**24,623**	–	**24,623**	–
	24,623	7,656	**24,623**	7,656
Total borrowings				
Unsecured:				
Bank overdrafts	–	2,977	–	–
Short term trade financing	**88,355**	88,603	**88,355**	88,603
Bankers' acceptances	**227,746**	256,764	**227,746**	256,764
Revolving credit	–	52,063	–	–
Revolving credit (restructured)	**8,221**	22,969	**8,221**	22,969
Term loan 1	–	13,781	–	–
Term loan 2	**44,354**	–	**44,354**	–
	368,676	437,157	**368,676**	368,336

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

The revolving credit which is denominated in US Dollar has been restructured to a 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. The loan has been fully repaid during the financial year ended 31 December 2013.

Term loan 2: Bank's Cost of Funds + 2.25% per annum

The term loan 2 is denominated in US Dollar and is repayable by 12 quarterly principal repayments commencing on 27 June 2013.

28. Borrowings (cont'd)

The remaining maturities of the loans and borrowings at the reporting date are as follows:

	Group		Company	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
On demand or within one year	**344,053**	429,501	**344,053**	360,680
More than 1 year and less than 2 years	**19,731**	7,656	**19,731**	7,656
More than 2 years and less than 5 years	**4,892**	–	**4,892**	–
	368,676	437,157	**368,676**	368,336

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

29. Trade and other payables

	Group		Company	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Current				
Trade payables				
Third parties	**22,948**	51,574	**16,478**	38,419
Subsidiaries	**–**	–	**15,550**	10,169
	22,948	51,574	**32,028**	48,588
Other payables				
Third parties	**21,545**	57,825	**14,142**	12,103
Holding company	**57**	30	**57**	30
Subsidiaries	**–**	–	**1,440**	227
Joint venture	**44,784**	42,350	**44,784**	42,350
	66,386	100,205	**60,423**	54,710
Accruals	**9,315**	15,692	**6,874**	7,990
	75,701	115,897	**67,297**	62,700
Total trade and other payables	**98,649**	167,471	**99,325**	111,288
Add: Loans and borrowings (Note 28)	**368,676**	437,157	**368,676**	368,336
Total financial liabilities carried at amortised cost	**467,325**	604,628	**468,001**	479,624

(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 37.

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

(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 37.

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

(e) Amount due to joint venture

Amount due to joint venture 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 37.

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

30. Share capital and share premium

	Number of ordinary shares of RM1 each	←	Amount	→
	Share capital (issued and fully paid) '000	Share capital (issued and fully paid) RM'000	Share premium RM'000	Total share capital and share premium RM'000
Group				
At 1 January 2012/31 December 2012/31 December 2013	100,000	100,000	76,372	176,372
Company				
At 1 January 2012/31 December 2012/31 December 2013	100,000	100,000	74,666	174,666

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

	Number of ordinary shares of RM1 each		Amount	
	2013	2012	2013	2012
	'000	'000	RM'000	RM'000
Authorised share capital:				
At 1 January/31 December	**500,000**	500,000	**500,000**	500,000

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

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 2013	**19,816**	**6,288**	**(379)**	**(38)**	**25,687**
Other comprehensive income:					
Revaluation surplus on property, plant and equipment	**1,796**	**–**	**–**	**–**	**1,796**
Foreign currency translation	**–**	**(27,455)**	**–**	**–**	**(27,455)**
Cumulative fair value gain on available-for-sale investment securities	**–**	**–**	**2,565**	**–**	**2,565**
Net fair value changes on cash flow hedges					
- Net loss on fair value changes during the year	**–**	**–**	**–**	**(2,480)**	**(2,480)**
- Recognised in profit or loss:					
- Ineffective cash flow hedge (Note 7)	**–**	**–**	**–**	**776**	**776**
Income tax relating to components of other comprehensive income (Note 12)	**(496)**	**–**	**(525)**	**426**	**(595)**
	1,300	**(27,455)**	**2,040**	**(1,278)**	**(25,393)**
Transactions with owners:					
Reserve of disposal group classified as held for sale (Note 22)	**–**	**6,969**	**–**	**–**	**6,969**
At 31 December 2013	**21,116**	**(14,198)**	**1,661**	**(1,316)**	**7,263**

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 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)

	Revaluation reserves RM'000	Available–for–sale reserves RM'000	Hedging reserves RM'000	Total RM'000
Company				
At 1 January 2013	**5,708**	**(379)**	**2**	**5,331**
Other comprehensive income:				
Revaluation surplus on property, plant and equipment	**448**	**–**	**–**	**448**
Cumulative fair value gain on available-for-sale investment securities	**–**	**2,565**	**–**	**2,565**
Net fair value changes on cash flow hedges				
- Net loss on fair value changes during the year	**–**	**–**	**(2,593)**	**(2,593)**
- Recognised in profit or loss:				
- Ineffective cash flow hedge (Note 7)	**–**	**–**	**835**	**835**
Income tax relating to components of other comprehensive income (Note 12)	**(108)**	**(525)**	**440**	**(193)**
	340	**2,040**	**(1,318)**	**1,062**
At 31 December 2013	**6,048**	**1,661**	**(1,316)**	**6,393**
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)

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

(a) Revaluation reserves

The revaluation reserves 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, net of tax.

(b) Foreign currency translation reserves

The foreign currency translation reserves 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.

(c) Available-for-sale reserves

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

(d) Hedging reserves

The hedging reserves account records the effective portion of the cash flow hedge relationships incurred at the 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. Retained earnings

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

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. Any 108 balance which has not been utilised as at 31 December 2013 is disregarded. Thereafter, the Company may distribute dividends out of its entire retained earnings under the single tier system.

33. Deferred tax

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January (as previously stated)	**(4,866)**	(17,305)	**(4,241)**	(3,316)
Effect of adoption of IC Interpretation 20	**(417)**	(417)	**–**	–
At 1 January (as restated)	**(5,283)**	(17,722)	**(4,241)**	(3,316)
Recognised in profit or loss	**1,011**	11,653	**1,104**	(1,185)
- Continuing (Note 12)	**1,011**	(2,273)	**1,104**	(1,185)
- Discontinued	**–**	13,926	**–**	–
Recognised in other comprehensive income (Note 12)	**595**	315	**193**	260
Exchange differences	**–**	471	**–**	–
At 31 December	**(3,677)**	(5,283)	**(2,944)**	(4,241)

Presented after appropriate offsetting as follows:

Deferred tax assets	**(4,669)**	(5,413)	**(2,944)**	(4,241)
Deferred tax liabilities	**992**	130	**–**	–
	(3,677)	(5,283)	**(2,944)**	(4,241)

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

Deferred tax liabilities

Group	**Available–for–sale reserves RM'000**	**Property, plant and equipment RM'000**	**Total RM'000**
At 1 January 2013 (as previously stated)	**–**	**5,540**	**5,540**
Effect of adoption of IC Interpretation 20	**–**	**(417)**	**(417)**
At 1 January (as restated)		**5,123**	**5,123**
Recognised in profit or loss	**–**	**489**	**489**
Recognised in other comprehensive income	**525**	**496**	**1,021**
At 31 December 2013	**525**	**6,108**	**6,633**
At 1 January 2012 (as previously stated)	–	13,914	13,914
Effect of adoption of IC Interpretation 20	–	(417)	(417)
At 1 January (as restated)	–	13,497	13,497
Recognised in profit or loss	–	(8,555)	(8,555)
Recognised in other comprehensive income	–	298	298
Exchange difference	–	(117)	(117)
At 31 December 2012 (as restated)	–	5,123	5,123

33. Deferred tax (cont'd)

	Available-for-sale reserves RM'000	Property, plant and equipment RM'000	Total RM'000
Company			
At 1 January 2013	**–**	**2,715**	**2,715**
Recognised in profit or loss	**–**	**262**	**262**
Recognised in other comprehensive income	**525**	**108**	**633**
At 31 December 2013	**525**	**3,085**	**3,610**
At 1 January 2012	–	2,213	2,213
Recognised in profit or loss	–	273	273
Recognised in other comprehensive income	–	229	229
At 31 December 2012	–	2,715	2,715

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 2013	**–**	**(4,026)**	**(6,337)**	**(43)**	**(10,406)**
Recognised in profit or loss	**–**	**114**	**550**	**(142)**	**522**
Recognised in other comprehensive income	**–**	**–**	**–**	**(426)**	**(426)**
Exchange difference	**–**	**–**	**–**	**–**	**–**
At 31 December 2013	**–**	**(3,912)**	**(5,787)**	**(611)**	**(10,310)**
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)

33. Deferred tax (cont'd)

	Receivables RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
Company				
At 1 January 2013	**(4,028)**	**(2,914)**	**(14)**	**(6,956)**
Recognised in profit or loss	**114**	**885**	**(157)**	**842**
Recognised in other comprehensive income	**–**	**–**	**(440)**	**(440)**
At 31 December 2013	**(3,914)**	**(2,029)**	**(611)**	**(6,554)**
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)

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

	Group		
	31.12.2013 RM'000	31.12.2012 RM'000	01.01.2012 RM'000
Unutilised tax losses (excluding discontinued operation)	**11,184**	40,499	51,489

The above unutilised tax losses (excluding discontinued operation) of the Group arose from a subsidiary 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.

34. Derivative financial instruments

Derivative financial instruments included in the statements of financial position at the reporting date:

	Group/Company	
At 31 December 2013	**Assets RM'000**	**Liabilities RM'000**
Interest rate swap contracts	**–**	**158**
Foreign currency forward contracts	**–**	**2,284**
	–	**2,442**
Current	**–**	**2,329**
Non-current	**–**	**113**

34. Derivative financial instruments (cont'd)

At 31 December 2012	Group/Company Assets RM'000	Group/Company Liabilities 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

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.

The Group and the Company have the following derivative financial instruments accounted for at the reporting date:

At 31 December 2013

(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
47.3	From January 2014 to April 2014	3.2421

A fair value loss of RM1,610,000 with a deferred tax benefit of RM403,000 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, a fair value loss of RM529,000 with a deferred tax benefit of RM132,000 in respect of these contracts has been recognised in profit or loss.

Buy USD (in million)	Range of maturity period	Average exchange rate RM/USD
1.3	January 2014	3.1691

A fair value loss of RM145,000 with a deferred tax benefit of RM36,000 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts.

34. Derivative financial instruments (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
(i) 2.5	March 2014	3 month London Inter-bank Offer Rate	2.47%
(ii) 12.0	March 2016	3 month London Inter-bank Offer rate	0.70%

A fair value loss of RM158,000 with a deferred tax benefit of RM40,000 relating to the interest rate swap contract has been recognised in profit or loss.

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

A 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, a 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

A fair value loss of RM55,000 with a deferred tax benefit 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, a fair value loss of RM59,000 with a deferred tax benefit 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 benefit of RM92,000 relating to the interest rate swap contract has been recognised in profit or loss.

35. Capital commitments

	Group		Company	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Approved and contracted for:				
- Investment in an associate	**11,269**	10,275	**11,269**	10,275
- Property, plant and equipment	**1,902**	4,304	**1,416**	3,044
	13,171	14,579	**12,685**	13,319
Approved but not contracted for:				
- Property, plant and equipment	**1,203**	483	**–**	–

36. Contingent liabilities (unsecured)

At 31 December 2013, the status was as follows:

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 judgement and further interest at the rate of 8% per annum after the date of judgement to the 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 the rate of 8% per annum 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 Company paid the judgement sum, interest and costs amounting to RM145,108.47 to the party on 11 March 2011. 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 Court of Appeal has on 21 October 2013 heard the appeal by the party and the Company's cross-appeal and dismissed both the appeal and the cross-appeal with no order as to costs. As such, the matter came to an end on 21 October 2013.

37. Related party disclosures

(a) Related party transactions

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

Group	Note	2013 RM'000	2012 RM'000
Associates/joint ventures:			
- Sales of products	(i)	**47,283**	48,369
- Interest income	(ii)	**823**	319
Consulting fees paid to a director of a subsidiary		**60**	60
Secretarial fees payable to a foreign subsidiary's director		**32**	65

Company	Note	2013 RM'000	2012 RM'000
Subsidiaries:			
- Purchases of products	(iii)	**150,570**	269,360
- Interest income	(ii)	**530**	556
- Management fee received		**2,400**	3,125
- Advances received		**14,300**	6,060
- Advances given	(iv)	**82,897**	74,464
- Repayment of advances received		**14,300**	6,060
- Repayment of advances given		**–**	8,572
- Rental paid		**1,796**	1,796
- Interest expense		**110**	28
- Dividend		**32,670**	15,246
- Reversal of interest charged to a subsidiary		**24,494**	–
Associates/joint ventures:			
- Sales of products	(i)	**47,283**	48,369
- Interest income	(ii)	**823**	319
- Waiver on advances received from a joint venture		**9,817**	–
- Shareholders' loans	(v)	**465**	7,026
- Advances received	(vi)	**9,113**	14,136
- Dividend		**17,278**	28

37. **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.

(i) Interest income are receivable in respect of amounts due from subsidiaries, associate and joint venture. Further details are disclosed in Note 24.

(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 (iii).

(v) Shareholders' loans comprise an unsecured term loan given to a joint venture bearing interest at LIBOR from 1 January 2013 to 31 December 2013 and 10% per annum from 1 January 2014 as disclosed in Note 24(ii).

(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 2012 and 2013 are disclosed in Note 24 and Note 29.

(b) **Compensation of key management personnel**

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits	**5,685**	8,038	**5,073**	4,776
- Continuing	**5,673**	5,604	**5,073**	4,776
- Discontinued	**12**	2,434	**–**	–
Post-employment benefits:				
- Defined contribution plan	**816**	1,012	**744**	686
- Continuing	**816**	800	**744**	686
- Discontinued	**–**	212	**–**	–
	6,501	9,050	**5,817**	5,462

Included in the total compensation of key management personnel are:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 4)	**1,843**	2,191	**1,762**	1,769
- Continuing	**1,831**	1,847	**1,762**	1,769
- Discontinued	**12**	344	**–**	–

38. Financial risk management objectives and policies

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

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing their 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.

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

The Group's and the Company's policy is to manage their exposure to interest rate risk using floating rate for bank borrowings which can be swapped to fixed interest rate to mitigate their exposure where appropriate. The Group and the Company seek to obtain the most favourable interest rates available without increasing their foreign currency exposure. The Group and the Company also enter into interest rate swap contracts to mitigate their exposure to interest rate risk for long term debts where appropriate.

The Group and the Company place the 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 at the reporting date and the remaining maturities of the financial instruments of the Group and the Company 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 2013								
Fixed rate								
Amount due from a joint venture	24	1.00 – 10.00	–	1,214	2,493	2,084	1,729	7,520
Floating rate								
Cash and bank balances	26	0.10 – 3.45	96,375	–	–	–	–	96,375
Short term trade financing	28	0.96 – 1.55	88,355	–	–	–	–	88,355
Bankers' acceptances	28	3.50 – 3.74	227,746	–	–	–	–	227,746
Revolving credit	28	2.56	8,221	–	–	–	–	8,221
Term loan	28	3.30	19,731	19,731	4,892	–	–	44,354

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

(a) Interest rate risk (cont'd)

Company	Note	Range of interest rates % per annum	Within 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	Total RM'000
At 31 December 2013								
Fixed rate								
Amount due from a joint venture	**24**	**1.00 – 10.00**	**–**	**1,214**	**2,493**	**2,084**	**1,729**	**7,520**
Amount due from subsidiary	**24**	**3.00**	**17,320**	**–**	**–**	**–**	**–**	**17,320**
Floating rate								
Cash and bank balances	**26**	**0.10 – 3.45**	**69,480**	**–**	**–**	**–**	**–**	**69,480**
Short term trade financing	**28**	**0.96 – 1.55**	**88,355**	**–**	**–**	**–**	**–**	**88,355**
Bankers' acceptances	**28**	**3.50 – 3.74**	**227,746**	**–**	**–**	**–**	**–**	**227,746**
Revolving credit	**28**	**2.56**	**8,221**	**–**	**–**	**–**	**–**	**8,221**
Term loan	**28**	**3.30**	**19,731**	**19,731**	**4,892**	**–**	**–**	**44,354**
Group								
At 31 December 2012								
Fixed rate								
Amount due from a joint venture	24	1.00 – 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

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

(a) Interest rate risk (cont'd)

Company	Note	Range of interest rates % per annum	Within 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	Total RM'000
At 31 December 2012								
Fixed rate								
Amount due from a joint venture	24	1.00 – 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

The Group and the Company have the following Interest Rate Swap Contracts with a bank to swap the interest payments from a floating rate borrowing to fixed rate in US Dollar at the reporting date:

At 31 December 2013

Contract 1.

Notional Amount (USD Million)	:	2.5
Maturity Period	:	March 2014
Receive Floating Interest Rate	:	3 months London Inter-bank Offer Rate
Pay Fixed Interest Rate	:	2.47%

Contract 2.

Notional Amount (USD Million)	:	12.0
Maturity Period	:	March 2016
Receive Floating Interest Rate	:	3 months London Inter-bank Offer Rate
Pay Fixed Interest Rate	:	0.70%

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%

38. 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 profit/(loss) net of tax through the impact on interest income from bank deposits and interest expense on floating rate borrowings:

	Increase (+)/ Decrease (–) in basis point	(Decrease)/ Increase in profit net of tax RM'000
At 31 December 2013		
- Malaysian Ringgit	**+25**	**(247)**
	–25	**247**
- United States Dollar	**+25**	**(263)**
	–25	**263**

	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

(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 foreign currency forward contracts to hedge its exposure to foreign exchange risk.

At at the reporting date, approximately:

(i) 94% (2012: 95%) of the Group's trade and other receivables as well as 57% (2012: 81%) 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) 4% (2012: 19%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar, Indonesia Rupiah and Australian Dollar.

(iii) 38% (2012: 41%) of the Group's borrowings are denominated in United States Dollar.

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

(b) Foreign currency risk (cont'd)

At 31 December 2013, 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 2013 was RM529,000 (2012: RM306,000) (see Note 34(i)).

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealised loss of RM1,755,000 (2012: net unrealised gain of RM4,000) with a deferred tax benefit of RM439,000 (2012: deferred tax expense of RM1,000) relating to the hedging instruments is included in other comprehensive income (see Note 34(i)).

The amounts retained in other comprehensive income at 31 December 2013 are expected to mature and affect profit or loss by a loss of RM1,316,000 (2012: gain of RM3,000) in 2014.

The following table demonstrates the sensitivity of the Group's profit/(loss) 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") against the respective functional currencies of the Group entities, with all other variables held constant.

		2013		**2012**	
		(Decrease)/ Increase in profit net of tax RM'000	**(Decrease)/ Increase in equity RM'000**	**(Increase)/ Decrease in loss net of tax RM'000**	**(Decrease)/ Increase in equity RM'000**
USD/RM	strengthened 5%	**(13,093)**	**(11,891)**	(8,123)	(8,125)
	weakened 5%	**10,460**	**11,777**	8,158	8,158
AUD/RM	strengthened 5%	**–**	**–**	23	23
	weakened 5%	**–**	**–**	(23)	(23)
IDR/USD	strengthened 5%	**1,418**	**1,418**	(71)	(69)
	weakened 5%	**(1,567)**	**(1,567)**	76	76

(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 and the Company manage their debt maturity profiles, 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 and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group and the Company raise committed funding from financial institutions and prudently balance their portfolio with some short term funding so as to achieve overall cost effectiveness.

38. 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 reporting date 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 2013				
Financial assets:				
Non-derivative				
Trade and other receivables	24	68,127	7,520	75,647
Interest receivable on advances		904	2,199	3,103
Cash, bank balances and deposits	26	104,347	–	104,347
Total undiscounted financial assets		173,378	9,719	183,097
Financial liabilities:				
Non-derivative				
Borrowings	28	344,053	24,623	368,676
Interest payable on borrowings		1,810	614	2,424
Trade payables and other payables	29	98,649	–	98,649
Derivative				
Interest rate swap contracts	34	45	113	158
Foreign currency forward contracts	34	2,284	–	2,284
Total undiscounted financial liabilities		446,841	25,350	472,191
Total net undiscounted financial liabilities		(273,463)	(15,631)	(289,094)

38. 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 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 forward contracts	34	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	34	–	369	369
Foreign currency forward contracts	34	2	–	2
Forward tin sales contracts	34	114	–	114
Total undiscounted financial liabilities		600,115	8,074	608,189
Total net undiscounted financial liabilities		(271,522)	(125)	(271,647)

Company	**Note**	**Within 1 year RM'000**	**1 to 5 years RM'000**	**Total RM'000**
At 31 December 2013				
Financial assets:				
Non-derivative				
Trade and other receivables	**24**	**80,990**	**7,520**	**88,510**
Interest receivable on advances		**904**	**2,199**	**3,103**
Cash, bank balances and deposits	**26**	**77,124**	**–**	**77,124**
Total undiscounted financial assets		**159,018**	**9,719**	**168,737**

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

(c) Liquidity risk (cont'd)

Company	**Note**	**Within 1 year RM'000**	**1 to 5 years RM'000**	**Total RM'000**
At 31 December 2013				
Financial liabilities:				
Non-derivative				
Borrowings	**28**	**344,053**	**24,623**	**368,676**
Interest payable on borrowings		**1,810**	**614**	**2,424**
Trade and other payables	**29**	**99,325**	**–**	**99,325**
Derivative				
Interest rate swap contracts	**34**	**45**	**113**	**158**
Foreign currency forward contracts	**34**	**2,284**	**–**	**2,284**
Total undiscounted financial liabilities		**447,517**	**25,350**	**472,867**
Total net undiscounted financial liabilities		**(288,499)**	**(15,631)**	**(304,130)**
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	34	312	–	312
Total undiscounted financial assets		305,487	7,949	313,436
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	34	–	369	369
Foreign currency forward contracts	34	2	–	2
Forward tin sales contracts	34	114	–	114
Total undiscounted financial liabilities		472,803	8,074	480,877
Total net undiscounted financial liabilities		(167,316)	(125)	(167,441)

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

(c) Liquidity risk (cont'd)

Financial guarantees

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

Group	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
At 31 December 2013			
Financial guarantees	**1,000**	**–**	**1,000**
At 31 December 2012			
Financial guarantees	1,000	–	1,000
Company			
At 31 December 2013			
Financial guarantees	**10,866**	**–**	**10,866**
At 31 December 2012			
Financial guarantees	2,200	–	2,200

(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 risks 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.

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.

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

(d) Credit risk (cont'd)

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

- A financial guarantee for USD3.0 million given by the Company to a company in Indonesia as security for an advance of USD3.0 million given by it to a subsidiary.

The Group has a concentration of credit risk that may arise from exposures to a single debtor which constitutes approximately 9.4% (2012: 37.1%) of its trade receivables and 44.5% (2012: 49.3%) 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 were as follows:

	2013		2012	
Group	**RM'000**	**% of total**	**RM'000**	**% of total**
By country:				
Australia	**5,411**	**7**	2,702	1
China, including Hong Kong and Taiwan	**10,117**	**13**	28,096	14
Indonesia	**8,601**	**11**	62,621	32
Malaysia	**10,419**	**14**	13,461	7
South Africa	**8,598**	**11**	3,535	2
United Kingdom	**1,635**	**2**	68,278	35
Austria	**9,249**	**13**	5,262	3
Germany	**7,592**	**10**	775	–
Others	**14,025**	**19**	10,691	6
	75,647	**100**	195,421	100
Company				
By country:				
Australia	**5,411**	**6**	3,237	1
China, including Hong Kong and Taiwan	**10,117**	**11**	28,096	13
Indonesia	**4,537**	**5**	64,061	29
Malaysia	**27,349**	**31**	33,638	15
South Africa	**8,598**	**10**	3,535	2
United Kingdom	**1,635**	**2**	68,278	31
Austria	**9,249**	**10**	5,262	3
Germany	**7,592**	**9**	775	–
Others	**14,022**	**16**	10,689	6
	88,510	**100**	217,571	100

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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

(e) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs. The Group is exposed to commodity price risk arising from revenue derived from sales of tin 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. At the reporting date, there was no outstanding forward tin sales contract.

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.

(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 Toronto Venture Exchange in Canada. These instruments are classified as available-for-sale investment securities.

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 RM270,000 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 RM270,000 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 total equity.

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

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

	Group	
	2013 RM'000	**2012 RM'000 (restated)**
Share capital	**100,000**	100,000
Share premium	**76,372**	76,372
Other reserves	**7,263**	25,687
Retained earnings	**46,102**	29,319
Reserve of disposal group classified as held for sale	**(6,969)**	–
Total shareholders' equity	**222,768**	231,378
Non-controlling interests	**(42,112)**	(33,791)
Total equity	**180,656**	197,587
Total borrowings (Note 28)	**368,676**	437,157
Gearing ratio as defined above	**2.0**	2.2

39. Fair value of assets and liabilities

(a) Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of each class of assets and liabilities carried at fair value by level of fair value hierarchy:

		Group			
	Date of valuation	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 2013					
Assets measured at fair value:					
Available-for-sale investment securities (Note 20)					
- Equity instruments (quoted)	31 Dec 2013	7,098	–	–	7,098
Revalued freehold land and buildings (Note 15)					
- Land and tin smelting industrial complex in Butterworth	31 Dec 2013	–	–	29,872	29,872
- Office lots in Kuala Lumpur	31 Dec 2013	–	–	5,200	5,200
- 80 units flats in Bukit Mertajam	31 Dec 2013	–	–	4,000	4,000
- Land and buildings in Daerah Hulu Perak	31 Dec 2013	–	–	1,645	1,645
- Buildings in Air Kantung, Bangka Island, Indonesia	31 Dec 2013	–	–	844	844
- Buildings in Pangkal Pinang, Bangka Island, Indonesia	31 Dec 2013	–	–	300	300
		7,098	–	41,861	48,959
Liabilities measured at fair value:					
Derivative financial liabilities (Note 34)					
- Foreign currency forward contracts	31 Dec 2013	–	2,284	–	2,284
- Interest rate swap contracts	31 Dec 2013	–	158	–	158
		–	2,442	–	2,442

39. Fair value of assets and liabilities (cont'd)

(a) Fair value of assets and liabilities that are carried at fair value (cont'd)

Fair value hierarchy

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)

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

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

	Group				
Description	**Fair value at 31.12.2013 RM'000**	**Valuation techniques**	**Significant unobservable inputs**	**Range**	**Sensitivity of the input to fair value**
Revalued freehold land and buildings (Note 15)	41,861	Market comparable approach/ Depreciated replacement cost	Difference in location, time factor and size	-15.0% to 10.0%	Every 1% increase or (decrease) in the adjustments would result in decrease or (increase) in fair value by RM323,000

39. Fair value of assets and liabilities (cont'd)

(a) Fair value of assets and liabilities that are carried at fair value (cont'd)

Movements in Level 3 assets measured at fair value

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

	Group	
	Property, plant and equipment	
	Freehold land RM'000	**Buildings RM'000**
At 1 January 2013	**20,819**	**18,970**
Transfer in	**–**	**915**
Revaluation adjustments	**1,087**	**(20)**
Depreciation charge for the year	**–**	**(720)**
Elimination of accumulated depreciation on revaluation	**–**	**728**
Exchange differences	**–**	**82**
At 31 December 2013	**21,906**	**19,955**

	Group Available-for-sale investment security Equity instrument (unquoted) RM'000
At 1 January 2013	**9,133**
Impairment loss recognised in profit or loss	**(9,133)**
At 31 December 2013	**–**

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 December 2013.

39. Fair value of assets and liabilities (cont'd)

(b) Fair value of assets and liabilities 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.

40. Segmental information

The revenue of the Group is derived from tin mining and smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sale 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.

(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

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

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

40. Segmental information (cont'd)

Business segments (cont'd)

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

	Note	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Tin Mining (Discontinued Operation) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
2013							
Revenue							
Sales to external customers		1,581,980	–	–	41,132	(41,132)	1,581,980
Inter-segment sales		3	150,570	1,796	–	(152,369)	–
Total revenue		1,581,983	150,570	1,796	41,132	(193,501)	1,581,980
Results							
Profit/(Loss) from operations		77,807	30,618	174	(14,975)	14,364	107,988
Impairment losses		(1,173)	(10,009)	2,257	(16,890)	16,890	(8,925)
Finance costs		(9,541)	(157)	(3,297)	(705)	705	(12,995)
Share of loss of associates and joint ventures		(1,274)	–	(18,449)	–	–	(19,723)
Profit/(Loss) before tax from continuing operations		65,819	20,452	(19,315)	(32,570)	31,959	66,345
Income tax expense		(12,758)	(9,896)	(298)	–	152	(22,800)
Profit/(Loss) from continuing operations, net of tax		53,061	10,556	(19,613)	(32,570)	32,111	43,545
Loss from discontinued operation							(32,570)
Profit for the year							10,975

40. Segmental information (cont'd)

Business segments (cont'd)

	Note	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Tin Mining (Discontinued Operation) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2013							
Assets							
Segment assets		486,071	217,595	(755)	125,679	(127,403)	701,187
Investment in associates and joint ventures		–	–	107,426	–	–	107,426
Total assets		486,071	217,595	106,671	125,679	(127,403)	808,613
Liabilities							
Segment liabilities		456,058	171,043	1,305	143,046	(143,495)	627,957
2013							
Other segment information							
Additions of non-current assets							
- Property, plant and equipment	15	4,685	7,106	–	–	–	11,791
- Prepaid land lease payments	16	–	60	–	–	–	60
- Intangible and other assets	17/21	–	1,522	–	–	–	1,522
Depreciation	4	2,622	2,822	–	1,458	–	6,902
Amortisation of prepaid land lease payments	4	27	31	–	–	–	58
Amortisation of mining rights	4	–	851	–	–	–	851
Amortisation of corporate club membership	4	–	5	40	–	–	45
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure	4	–	384	–	–	–	384
Other significant non-cash expenses/(income):							
- Write down of inventories	4	–	257	–	7,147	–	7,404
- Provision for severance benefits, net	4	–	(114)	24	1,322	–	1,232
Interest income	6/22	(6,788)	(1,758)	–	(23)	–	(8,569)

40. Segmental information (cont'd)

Business segments (cont'd)

	Note	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	Tin Mining (Discontinued Operation) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
2012							
Revenue							
Sales to external customers		2,315,097	7,181	7	143,002	(279,601)	2,185,686
Inter-segment sales		8	136,387	1,799	–	(138,194)	–
Total revenue		2,315,105	143,568	1,806	143,002	(417,795)	2,185,686
Results							
Profit/(Loss) from operations		68,728	17,295	(337)	(163,343)	158,864	81,207
Impairment losses		(12,045)	(17,936)	(6,612)	(78,003)	78,003	(36,593)
Finance costs		(10,982)	(136)	(2,776)	(3,106)	3,106	(13,894)
Share of (loss)/profit of associates and joint ventures		(349)	–	5,704	–	–	5,355
Profit/(Loss) before tax from continuing operations		45,352	(777)	(4,021)	(244,452)	239,973	36,075
Income tax expense		(15,840)	(7,330)	(222)	(6,593)	6,647	(23,338)
Profit/(Loss) from continuing operations, net of tax		29,512	(8,107)	(4,243)	(251,045)	246,620	12,737
Loss from discontinued operation							(251,045)
Loss for the year							(238,308)
At 31 December 2012 (restated)							
Assets							
Segment assets		490,572	232,119	4,538	–	(1,266)	725,963
Investment in associates and joint ventures		1,274	–	160,829	–	–	162,103
Total assets		491,846	232,119	165,367	–	(1,266)	888,066
Liabilities							
Segment liabilities		474,109	215,814	1,005	–	(449)	690,479

40. Segmental information (cont'd)

Business segments (cont'd)

2012	**Note**	**International Tin Smelting RM'000**	**Tin Mining RM'000**	**Others RM'000**	**Tin Mining (Discontinued Operation) RM'000**	**(Eliminations)/ Adjustments RM'000**	**Total RM'000**
Other segment information							
Additions of non-current assets							
- Property, plant and equipment	15	6,387	5,448	–	33	–	11,868
- Intangible and other assets	17/21	–	11,325	–	–	–	11,325
Depreciation	4	2,463	3,232	–	11,080	–	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	–	1,799	–	15,110	–	16,909
Deferred mine exploration and evaluation expenditure written off	10	–	7,037	–	–	–	7,037
Other significant non-cash expenses/(income):							
- Provision for mine rehabilitation	4	–		–	3,195	–	3,195
- Provision for inventory obsolescence	4	–	1,098	–	1,500	–	2,598
- Provision for mining cessation liabilities		–	–	–	20,653	–	20,653
- Write down of tin slag inventory	4	–	–	–	23,545	–	23,545
- Write down of inventories	4	–	–	–	26,782	–	26,782
- Reversal of provision for severance benefits, net	4	–	71	–	(2,983)	–	(2,912)
Interest income	6/22	(11,648)	(1,367)	–	(29)	–	(13,044)

40. Segmental information (cont'd)

Business segments (cont'd)

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	
	2013	**2012**
	RM'000	**RM'000**
Elimination of unrealised losses on the inventories on hand arising from inter-segment purchases	**(611)**	(212)

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Elimination of unrealised losses on the inventories on hand and its deferred tax arising from inter-segment purchases	**(1,275)**	(817)
Elimination of inter-segment rental deposit	**(449)**	(449)
	(1,724)	(1,266)

Geographical Information

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

	Malaysia	**Indonesia (Discontinued operation)**	**(Eliminations)/ Adjustments**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2013				
Revenue				
Sales to external customers	**1,581,980**	**41,132**	**(41,132)**	**1,581,980**
At 31 December 2013				
Non-current assets	**102,103**	**3,075**	**(3,075)**	**102,103**
2012				
Revenue				
Sales to external customers	2,185,686	143,002	(143,002)	2,185,686
At 31 December 2012 (restated)				
Non-current assets	92,432	6,077	–	98,509

40. Segmental information (cont'd)

Geographical Information (cont'd)

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

Information about major customers

Revenue from one major customer amounted to RM252,338,000 (2012: two major customers amounted to RM311,169,000 and RM298,347,000), arising from sales by the tin smelting segment.

41. Significant events

The following significant events occurred during the financial year ended 31 December 2013:

(a) 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.

(b) On 26 September 2013, the Company announced that PT Koba Tin had received the decision of the Minister of Energy and Mineral Resources, Republic of Indonesia affirming the ending of the Contract of Work ("CoW") between the Government of Republic of Indonesia and PT Koba Tin in the regencies of Bangka Tengah and Bangka Selatan, Province of Bangka Belitung Islands with effect from 31 August 2013.

    Following the ending of the CoW, PT Koba Tin has ceased operations but is continuing to provide on-going care and maintenance of its mining and smelting assets. The strategic alliance agreement entered on 9 March 2012 between the Company and Optima Synergy Resources Limited has also lapsed.

42. Subsequent event

The following event occurred subsequent to the end of the financial year ended 31 December 2013:

On 11 March 2014, the Company announced that its wholly owned subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT") has entered into a Share Sale Agreement and Shareholders' Agreement for the acquisition of an 80% equity in SL Tin Sdn. Bhd. ("SL Tin") ("the Acquisition").

SL Tin was incorporated in Malaysia on 14 June 2010 under the Companies Act, 1965. The authorised share capital of SL Tin is RM100,000 divided into 100,000 ordinary shares of RM1.00 each of which RM50,000 divided into 50,000 ordinary shares of RM1.00 each have been fully issued and paid up. The intended principal activity of SL Tin is exploration and mining of tin.

SL Tin has secured a mining lease over an area of 267.3 hectares in Sungai Lembing, Hulu Kuantan, in the state of Pahang for a period of 15 years.

Upon the completion of the Acquisition, SL Tin will become an 80% owned subsidiary of RHT.

43. Comparative figures

The presentation of the consolidated income statement and statement of cash flows of the Group and explanatory information for the year ended 31 December 2012 has been changed to present the performance of continuing operations and discontinued operation separately.

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 31 March 2014.

45. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013 into realised and unrealised profits or losses 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	
	2013 RM'000	**2012 RM'000 (restated)**	**2013 RM'000**	**2012 RM'000**
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:				
- Realised	**(12,348)**	(25,515)	**33,356**	(149,753)
- Unrealised	**(3,247)**	(11,734)	**(2,450)**	137,212
	(15,595)	(37,249)	**30,906**	(12,541)
Total share of (accumulated losses)/retained earnings from associated companies:				
- Realised	**(6,925)**	(6,696)	**–**	–
- Unrealised	**298**	250	**–**	–
Total share of retained earnings/(accumulated losses) from joint ventures:				
- Realised	**22,742**	42,467	**–**	–
- Unrealised	**(11,541)**	(11,725)	**–**	–
	(11,021)	(12,953)	**30,906**	(12,541)
Add: Consolidation adjustments	**57,123**	42,272	**–**	–
Retained earnings/(Accumulated losses) as per financial statements	**46,102**	29,319	**30,906**	(12,541)

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 respects 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 (1 January 2012: RM28,067,000; 31 December 2012: RM28,067,000; 31 December 2013: 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 (1 January 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, investment in subsidiaries are measured at cost less any accumulated 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 2012: RM133,356,000; 31 December 2013: RM133,356,000) were adjusted to retained earnings.

Singapore FRSs do not provide for 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:

Reconciliation of equity as at 1 January 2012

Group	MFRS as at 01.01.2012 (restated) RM'000	Note (a) Foreign currency translation reserves RM'000	Note (b) Employee benefits RM'000	Singapore FRS as at 01.01.2012 (restated) 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	212,074	28,067	7,693	247,834
Non-controlling interests	32,987	–	2,564	35,551

Reconciliation of equity as at 31 December 2012

Group	MFRS as at 31.12.2012 (restated) RM'000	Note (a) Foreign currency translation reserves RM'000	Singapore FRS as at 01.01.2012 (restated) RM'000
Equity			
Foreign currency translation reserves	6,288	(28,067)	(21,779)
Retained earnings	29,319	28,067	57,386

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)

Reconciliations of MFRSs with Singapore FRSs *(cont'd)*

Reconciliation of equity as at 31 December 2013

Group	MFRS as at 31.12.2013 RM'000	Note (a) Foreign currency translation reserves RM'000	Singapore FRS as at 31.12.2013 RM'000
Equity			
Foreign currency translation reserves	**(14,198)**	**(5,712)**	**(19,910)**
Retained earnings	**46,102**	**28,067**	**74,169**
Reserves of disposal group classified as held for sale	**(6,969)**	**(22,355)**	**(29,324)**

Company	MFRS as at 31.12.2013 RM'000	Note (c) Investment in subsidiaries RM'000	Singapore FRS as at 31.12.2013 RM'000
Non-current assets			
Investment in subsidiaries	**148,681**	**(133,356)**	**15,325**
Equity			
Retained earnings/(Accumulated losses)	**30,906**	**(133,356)**	**(102,450)**

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 2013 was:

Purpose	**Proposed utilisation RM'000**	**Actual utilisation RM'000**	**Balance RM'000**
Expansion of mining and smelting operations	19,690	19,690	–
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	5,206	57,094
General working capital	13,340	13,340	–
Estimated expenses in relation to the public issue and secondary listing	8,860	8,689	171
Total	104,190	46,925	57,265

On 20 December 2013, the Company announced that the Board has approved the unutilised portion of RM57.26 million to be applied towards the Group's day-to-day working capital requirements.

The Group still intends to pursue its growth strategy in its tin business through the selective acquisition of suitable mining concessions or leases, as well as mining projects in Malaysia and other countries and as such will continue to monitor the investment opportunities in such countries. In the event an investment opportunity that meets the investment criteria of the Group arises in future, the Board may then choose to deploy part or all of such re-allocated funds towards development of new mines through selective acquisitions of suitable mining concessions or leases, mining projects and assets again at such time. Should this occur, the Company would make an announcement.

List of Properties of the Group 31 December 2013

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net carrying amount at 31.12.13 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	–	9 to over 50 years	29,853	2013
(b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	26 years	345	2013
(c) PT 686	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2069	NA	122	2013
2. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	14 years	2,500	2013
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	–	14 years	2,700	2013
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	13 years	4,000	2013
5. Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 46 years	212	2013
(b) PT 4338, 3934, Lot 2071, 4160, PT 4440, 4441 & PT 4442	Land with buildings	7.02 hectares	Leasehold	2068 - 2112	32 to over 50 years	1,187	2013
(c) PT 1705,1706 & 1707	3 units of terrace houses	417 sq. m	Leasehold	2108	3 years	450	2013
6. Mukim Belukar Semang Daerah Hulu Perak							
(a) Lot 1886	Vacant Land	0.4 hectares	Freehold	–	–	12	2013
(b) PT 725, 726, 727	Land with buildings	7.01 hectares	Leasehold	2022	–	8	2013
INDONESIA							
7. PT MSC Indonesia Bangka Island	Land & buildings	17,094 sq. ft.	Leasehold (Land Rights)	2034	19 to 24 years	820	2013
8. PT MSC Indonesia Bangka Island	Land & buildings	215,278 sq. ft.	Leasehold (Land Rights)	2019	8 years	866	2013

Tin Statistics

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

Destination	2009	2010	2011	2012	2013
Africa	220	65	380	181	**245**
Australia & New Zealand	66	–	5	6	**44**
China	806	315	1,325	2,755	**1,590**
E.E.C. (incl. UK)	1,534	2,290	2,467	1,435	**2,077**
India, Pakistan & Bangladesh	811	240	3,140	3,420	**4,073**
Japan	1,650	1,669	1,633	1,819	**1,988**
Middle East	363	510	687	722	**261**
Taiwan	1,596	1,809	1,291	1,169	**1,534**
Korea	8,482	9,079	7,905	6,870	**7,261**
Rest of Asia Pacific	150	360	180	130	**–**
Singapore	3,175	1,300	380	1,910	**795**
South America	–	–	500	–	**25**
U.S.A.	93	14	1,060	1,900	**3,850**
	18,946	**17,651**	**20,953**	**22,317**	**23,743**
Malaysia (for domestic consumption) * Include tin deliveries to LME warehouses in Pasir Gudang.	17,797	21,517	18,504	15,696	**9,349**
Total	**36,743**	**39,168**	**39,457**	**38,013**	**33,092**

LME and US DLA's Stocks & Disposals
(In Tonnes)

PERIOD END	LME STOCKS *	DLA STOCKS #	
2013		Opening stock at 01.01.2013	4,020
1st. Quarter	14,025		
2nd Quarter	14,290	Disposal during the year	–
3rd Quarter	13,240		
4th Quarter	9,660	Closing stock at 31.12.2013	4,020

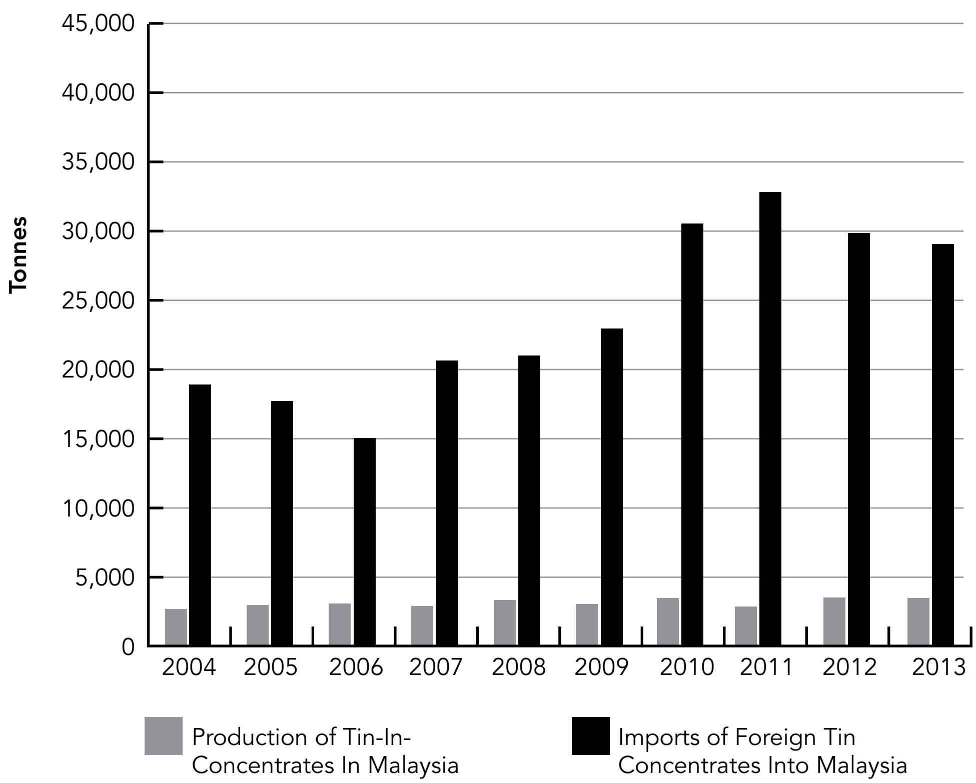
Sources : * Metal Bulletin
US Geological Survey - uncommitted stock

Tin Statistics *(cont'd)*

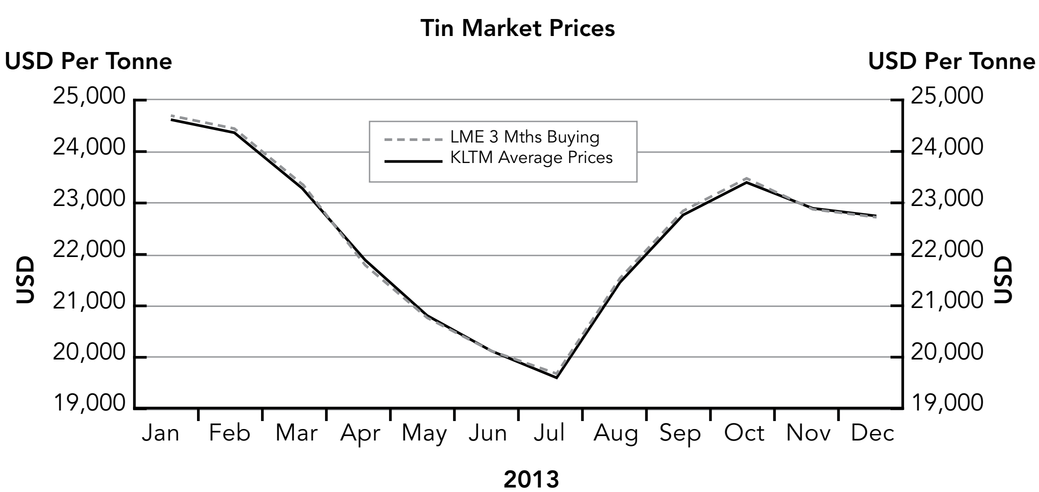
Production of Tin-In-Concentrates In Malaysia	
Year	**Tonnes**
2004	2,746
2005	3,013
2006	2,398
2007	2,264
2008	2,606
2009	2,380
2010	2,668
2011	3,344
2012	3,725
2013	3,717 (est.)

Imports of Foreign Tin Concentrates Into Malaysia	
Year	**Tonnes**
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
2013	28,328

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
2013	**25,150**	**19,150**	**22,318**	**9,530**	**22,308**
2013					
January	25,150	23,470	24,561	870	24,615
February	25,000	23,250	24,320	668	24,307
March	23,900	22,700	23,353	715	23,341
April	23,280	20,400	21,849	771	21,685
May	21,300	19,770	20,777	853	20,743
June	21,100	19,550	20,335	799	20,301
July	20,100	19,150	19,572	774	19,618
August	22,000	20,450	21,564	712	21,610
September	23,400	21,250	22,648	676	22,725
October	23,800	22,780	23,196	693	23,137
November	23,000	22,670	22,879	880	22,820
December	23,170	22,500	22,764	1,119	22,799



Shareholdings Statistics
as at 13 March 2014

ANALYSIS BY SIZE OF SHAREHOLDINGS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
less than 100	21	0.48	626	0.00
100 to 1,000	1,919	43.54	1,272,774	1.27
1,001 to 10,000	1,903	43.18	8,288,800	8.29
10,001 to 100,000	498	11.30	15,082,700	15.08
100,001 to less than 5% of issued shares	63	1.43	24,494,300	24.50
5% and above of issued shares	3	0.07	50,860,800	50.86
TOTAL	**4,407**	**100.00**	**100,000,000**	**100.00**

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	Name	Holdings	%
1.	THE STRAITS TRADING COMPANY LIMITED	28,090,000	28.09
2.	STRAITS TRADING AMALGAMATED RESOURCES SDN BHD	17,374,500	17.37
3.	SWORD INVESTMENTS PRIVATE LIMITED	5,396,300	5.40
4.	BAXTERLEY HOLDINGS PRIVATE LIMITED	3,700,000	3.70
5.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD FOR ICAPITAL.BIZ BERHAD	2,902,000	2.90
6.	LEONG KOK TAI	2,741,900	2.74
7.	QUARRY LANE SDN BHD	860,000	0.86
8.	2G CAPITAL PTE LTD	697,500	0.70
9.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD.AJIB BIN HJ.ANUAR	659,000	0.66
10.	TOH YEW KEONG	650,000	0.65
11.	AU YONG MUN YUE	575,000	0.58
12.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	484,700	0.48
13.	KUEK SIAW KIA @ QUEK SHIEW POH	417,500	0.42
14.	LEE PIN	417,000	0.42
15.	TOH YEW KEONG	410,000	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

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

	Name	Holdings	%
19.	LEE CHEOW YIN	388,000	0.39
20.	LIM KHOON	383,000	0.38
21.	DBS VICKERS SECS (S) PTE LTD FOR LEE CHEOW YIN	354,000	0.35
22.	WONG AH WAH @ WONG FONG FUI	350,000	0.35
23.	TAN LEE HWA	330,000	0.33
24.	LIM GAIK BWAY @ LIM CHIEW AH	303,000	0.30
25.	YEOH AH TU	300,000	0.30
26.	AU YONG MUN YUE	290,000	0.29
27.	REDRING SOLDER (MALAYSIA) SDN BHD	285,000	0.29
28.	LIM KIAN SIONG	281,800	0.28
29.	HDM NOMINEES (ASING) SDN BHD FOR NORMAN KA CHEUNG IP	250,000	0.25
30.	PROVIDENCE HGF3 LIMITED	240,300	0.24

LIST OF SUBSTANTIAL SHAREHOLDERS
as at 13 March 2014

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-A) *(Incorporated in Malaysia)*

I/We ____ (full name in block letters) of _____________________________________

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

Name	Address	NRIC / Passport Number	Proportion of Shareholdings %

And/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Sharehold ings %

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on Tuesday, 29 April 2014 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No	Resolutions	FOR	AGAINST
1	Receive Report of the Directors and the Audited Financial Statements	------------N/A------------	
2	Re-election of Director – En Razman Ariffin		
3	Re-election of Director – Mr Chew Kwee San		
4	Approval of Directors' Fees		
5	Reappointment of Auditors		
6	Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

Dated this __________ day of _________ 2014.

Total Number of Shares	

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

IMPORTANT : PLEASE READ NOTES BELOW

Notes:

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

Fold along this line

Affix
Postage
Here

To:

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

Fold along this line

Registered Office

B-15-11, Block B, 15th Floor
Unit 11, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: (+603) 2166 9260/61
Fax: (+603) 2161 1826

www.msmelt.com

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