Progressing Harmoniously

ANNUAL REPORT 2014

Malaysia Smelting Corporation Berhad

(43072-A)

Vision

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

Mission

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

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

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

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

Core Values

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

Cover rationale

This year's cover rationale revolves around the ancient Chinese concept of Yin Yang, the process of harmonisation to ensure a constant, dynamic and sustainable balance of all things. At MSC Group, we stress on the importance of achieving balance and sustainability in every aspect of our operations as only then can the Group progress harmoniously and profitably. We are consciously mindful not to compromise objectives and needs over one another and believe that true sustainability of the Group can only be achieved when corporate objectives as well as stakeholder, environmental and community needs are all adequately met and held in perfect balance.

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Corporate Information

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS
- En Razman Ariffin (Chairman)
- Mr Chew Hoy Ping
- Ms Gee Siew Yoong

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
- Dato' Ng Jui Sia

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS
- Mr Chew Kwee San (Deputy Chairman)
- Dato' Seri Mohd Ajib Anuar
- Ms Maggie Yeo Sock Koon

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

BUTTERWORTH SMELTER

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

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

SHARE REGISTRARS

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

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

AUDITORS

Ernst & Young

BANKERS

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

BUSINESS SUCCESS

MSC Group ensures **Business Success** based on the Yin Yang philosophy, which enables us to:

- Originate innovation within the company as well as respond to external factors
- Improve efficiency as well as venture into and learn new technologies
- Empower our employees whilst coaching and energising them
- Manage operations without losing sight of managing innovation
- Adapt to change whilst also creating viable change
- Manage challenges and harness complexity

Corporate Profile

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 2014, the Group produced 34,971 tonnes of tin metal maintaining its position as the second largest supplier of tin metal in the world. MSC is listed both on the Main Market of Bursa Malaysia since 15 December 1994 and the Main Board of Singapore Exchange (SGX-ST) since 27 January 2011. MSC is a subsidiary of The Straits Trading Company Limited of Singapore.

With the Group's core expertise and solid foundation of over a century of smelting excellence to its credit, the Group's smelting facility in Butterworth operates one of the most cost-efficient smelting plants in the world converting primary, secondary, and often complex tin bearing ores into high purity tin metal for industrial application. The plant has a production capacity of approximately 40,000 tonnes of refined tin a year and uses reverberatory furnace technology which is ideally suited for custom smelting. The smelting and refining operation has undergone significant technological, flow sheet and process changes and now has the capability of treating a wide variety of tin bearing materials.

Corporate Profile (Cont'd)

"In 2014, the Group produced 34,971 tonnes of tin metal maintaining its position as the second largest supplier of tin metal in the world."

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 hard rock tin mine. Since the takeover, extensive exploration works and improvements of milling/concentrator circuit and recovery operations have been undertaken and today RHT is a sustainable and significant tin producer in Malaysia.

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 the mines could be developed and operated with relatively lower cost structure.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at **Kuang Room, Hotel Equatorial Penang, Jalan Bukit Jambul, Penang, Malaysia** on **Monday, 27 April 2015** at **10.30 a.m.** for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

1. "THAT the audited Financial Statements for the year ended 31 December 2014 and the Report of the Directors and Auditors thereon be and are hereby received."

2. "THAT Mr Chew Hoy Ping, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

3. "THAT Ms Gee Siew Yoong, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

4. "THAT Ms Maggie Yeo Sock Koon, who retires in accordance with Article 106 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

5. "THAT pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, En Razman Ariffin be and is hereby retained as the Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

6. "THAT the Directors' fees of RM550,000 in respect of the year ended 31 December 2014 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."

7. "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."

<u>As SPECIAL BUSINESS:</u>

8. "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 its 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 is 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."

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

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

Date: 2 April 2015

Notes:

1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 20 April, 2015 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Thirty Sixth AGM of the Company.*

2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint one (1) or more proxy 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.*

Notice of Annual General Meeting (Cont'd)

Explanatory Notes:

Resolution 1 – Receive Report of the Directors and the Audited Financial Statements

The Agenda item no.1 is meant for discussion only. The provisions of Section 169 of the Companies Act 1965 and the Articles of Association of the Company require that the Audited Financial Statements and the Report of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

Director to Retire by Rotation

YBhg Dato' Seri Mohd Ajib Anuar, who retires pursuant to Article 101 of the Articles of Association of the Company, has notified the Company that he does not wish to seek re-election and accordingly, will retire at the conclusion of the forthcoming Annual General Meeting.

Resolution 5 – Retention of Independent Non-Executive Director

The Malaysian Code on Corporate Governance 2012 prescribes that approval of shareholders be sought in the event that the Company intends to retain as an Independent Director, a person who has served in that capacity for a cumulative period of more than nine (9) years.

The Board through the Nominating Committee has assessed and recommends that En Razman Ariffin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director, subject to shareholders' approval at the AGM of the Company based on the following reasons:

i. En Razman Ariffin fulfills the criteria of an Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgement to the Board.

ii His long association with the Company has not impinged upon his independence but rather has enhanced his knowledge and understanding of the business operations of the Group and enables him to contribute actively and effectively during deliberations at Board meetings.

iii. His vast experience and expertise in the mining and smelting industries, particularly in the tin industry, enables him to provide the Board with pertinent and much needed industry and technical expertise, skills and competence required in deliberating and assessing matters tabled at Board meetings.

iv. He exercises due care as an Independent Non-Executive Director of the Company and carries out his professional and fiduciary duties in the interest of the Company and shareholders. Thus, his continuance as an Independent Non-Executive Director on the Board of the Company is beneficial to the Company.

Resolution 6 – Directors' Remuneration

The Company needs to adequately remunerate its Directors so as to be able to attract and retain persons of high calibre and credibility with the necessary skills and experience to be members of the Board of the Company. The Board of Directors takes guidance from studies on Non-Executive directors' remuneration and compensation and market research reports in determining the level of fee appropriate for Directors of the Company. The increase in the proposed directors' fees for 2014 as compared to 2013 is due to the fact that since the retirement of YBhg Dato' Seri Mohd Ajib Anuar as the GCEO/Executive Director at the end of the 2013, the Company does not have an Executive Director on the Board during 2014. As such there is a need to compensate for the greater amount of responsibilities expected of the non-executive members of the Board which include contribution towards development of corporate strategy, monitoring management performance, ensuring accuracy of financial information, overseeing risk management and internal control systems, ensuring financial controls are robust to meet objectives and ensuring proper succession planning for the Company. The skills and experience of the Directors are crucially required at a time when the Company operates amidst very challenging circumstances, against the backdrop of uncertain global economic environment and depressed commodity market.

Resolution 8 (Special Business) – Authority to Allot Shares Pursuant to Section 132D of Companies Act 1965

The proposed ordinary Resolution 8 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 does 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 Fifth Annual General Meeting of the Company held on Tuesday, 29 April 2014. 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				
		2010*	2011**	2012**@ Restated	2013**#	2014**
Revenue	(RM Mil)	2,738.8	3,098.6	2,185.7	1,582.0	**1,915.2**
Profit/(Loss) before tax - continuing operations	(RM Mil)	(78.5)	91.1	36.1	70.6	**45.0**
Income tax expense	(RM Mil)	(21.8)	(34.5)	(23.3)	(22.8)	**(22.3)**
Profit/(Loss) attributable to the owners of the Company	(RM Mil)	(80.2)	60.5	(172.3)	16.8	**(9.9)**
Total assets	(RM Mil)	1,219.6	1,271.9	888.1	808.6	**684.7**
Net current assets/(liabilities)	(RM Mil)	30.2	119.4	(61.1)	(11.8)	**49.6**
Equity attributable to the owners of the Company	(RM Mil)	264.8	419.1	231.4	222.8	**233.9**
Earnings/(Loss) per share	(sen)	(107)	62	(172)	17	**(10)**
Gross dividend declared/proposed per share	(sen)	3	30	–	–	**–**
Net assets per share attributable to the owners of the Company	(sen)	343	419	231	223	**234**
Pre-tax profit/(loss) for continuing operations on average equity attributable to the owners of the Company	(%)	(25)	27	11	31	**20**

* Prepared in accordance with FRS.

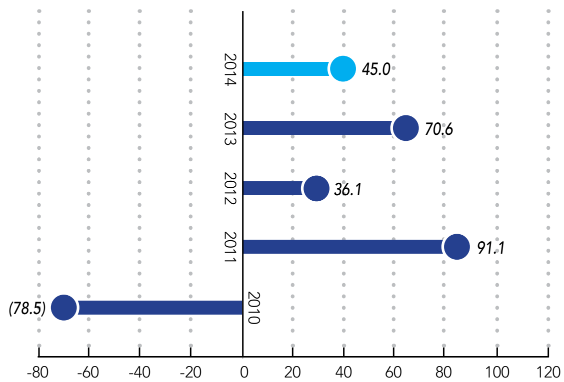
** Prepared in accordance with MFRS.

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

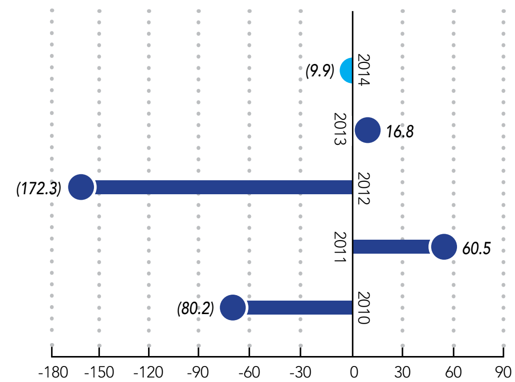
\# Changed to present the performance of continuing operations and discontinued operations separately.

Group Financial Highlights (Cont'd)

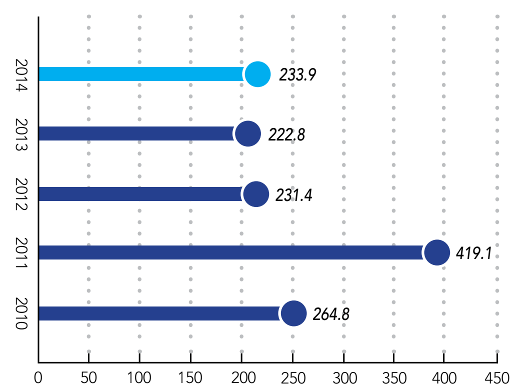
Profit/(Loss) before tax - continuing operations (RM Mil)



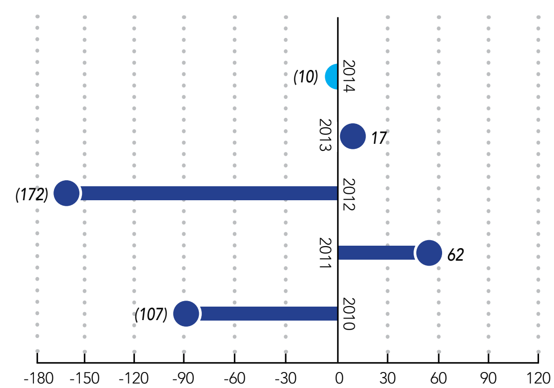
Profit/(Loss) attributable to the owners of the Company (RM Mil)



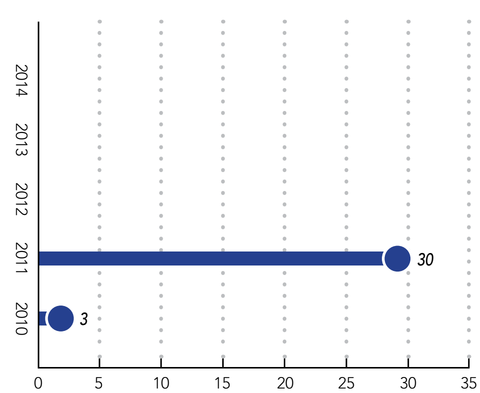
Equity attributable to the owners of the Company (RM Mil)



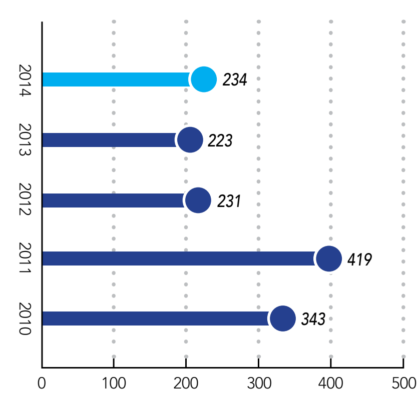
Earnings/(Loss) per share (sen)



Gross dividend declared/proposed per share (sen)



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



Board of Directors

Board of Directors (Cont'd)

Left to Right

Dato' Ng Jui Sia
Senior Independent Non-Executive Director

Mr Chew Hoy Ping
Independent Non-Executive Director

Ms Gee Siew Yoong
Independent Non-Executive Director

Dato' Seri Mohd Ajib Anuar
Non-Independent Non-Executive Director

Mr Chew Kwee San
Deputy Chairman,
Non-Independent Non-Executive Director

En Razman Ariffin
Chairman,
Independent Non-Executive Director

Ms Maggie Yeo Sock Koon
Non-Independent Non-Executive Director

Director's Profile

En Razman Ariffin

En Razman Ariffin is a Malaysian aged 67 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 in June 2010. In July 2014, En Razman assumed the role of Chairman of the Company but stepped down as member of Audit Committee and as Senior Independent Director. He remains a member of both Nominating Committee and the Remuneration Committee and was also recently appointed as a member of the newly formed Finance and Budget 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 an Independent Non-Executive 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.

Mr Chew Kwee San

Mr Chew Kwee San is a Singaporean aged 46 years. He was appointed to the Board as a Non-Independent Non-Executive Director on 1 March 2010. Currently, he is the Deputy Chairman of the Board, Chairman of the Nominating Committee and is also a member of the Remuneration 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 ("STC"). 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.

Mr Chew Kwee San is the brother of Ms Chew Gek Khim, the Executive Chairman of the 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.

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 since June 1994 until December 2013. He was re-designated as a Non-Independent Non-Executive Director in January 2014. He is a member of the Remuneration Committee.

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

He has more than forty-three years of experience and expertise in the global tin and mineral resources industry. Currently, he serves as the President of the Malaysian Chamber of Mines and the Chairman of the Malaysian Tin Industry (Research and Development) Board as well as the President of ASEAN Federation of Mining Associations. He is also the Chairman of Kuala Lumpur Tin Market, a Director of ITRI Ltd, United Kingdom (International Tin Research Institute – the research and development body of the world's tin industry) and a member of the Tin Committee of the London Metal Exchange.

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

Director's Profile (Cont'd)

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 two terms as the President of ITRI Ltd, UK (2002 to 2006 and 2012 to 2014), the Deputy Chairman of the Kuala Lumpur Commodity Exchange (1988 to 1993) as well as the Chairman of the Malaysian Futures Clearing Corporation (1990 to 1993).

Dato' Seri Mohd Ajib Anuar also sits on the board of icapital.biz Berhad, a public listed Closed-end Fund as an Independent Non-Executive Director.

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

Dato' Ng Jui Sia

YBhg Dato' Ng Jui Sia Sia is a Singaporean aged 63 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. In July 2014, Dato' Ng was appointed as the Senior Independent Director of the Company as well as a member of the Nominating Committee.

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

Dato' Ng began his career in accounting and auditing in London and Singapore with PriceWaterhouse and has extensive general management experience operating in Hong Kong, China, South Asia, Malaysia and Singapore. He was with Carnaud MetalBox Asia before he joined the F&N Group in 1995. He led a management team in F&N Coca-Cola Singapore and Malaysia from 1995 till 2006 prior to his secondment to F&N's Times Publishing Ltd as Chief Executive Officer ("CEO") with an international portfolio of printing, publishing, distribution and book retailing. Dato' was also a nominee director in Fung Choi Media Group Ltd., a China based company listed on the Singapore Stock Exchange and PMP Ltd, a company listed on the Australia Stock Exchange from November 2007 to July 2010. From October 2010 to October 2013, Dato' Ng held the position of the CEO of the Fraser & Neave Holdings Berhad. Dato' Ng was appointed as the Chief Executive Officer, F&B (Non Alcoholic) of Fraser and Neave, Limited, in 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 of the Company and neither has he been convicted of any offence.

Mr Chew Hoy Ping

Mr Chew Hoy Ping is a Malaysian aged 57 years. He was appointed to the Board of the Company in May 2014 as an Independent Non-Executive Director. He was also appointed as a member of the Audit Committee and later assumed the role as the Chairman of the Audit Committee. He is also a member of the Finance and Budget Committee.

Mr Chew is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

Mr Chew began his career at Messrs Price Waterhouse (later PricewaterhouseCoopers or PwC) in 1976 and served in various capacities in the firm for almost 30 years. He was admitted as a partner of the firm in 1990. Whilst at PwC, his work experience covered a wide range of professional service areas including business advisory, corporate restructuring and recovery, and corporate finance. He had also held a number of leadership roles including the Asia Pacific Chairman of Financial Advisory Services. He was also the Malaysian firm's Risk Management and Independence Leader, its Deputy Chairman of the Governance Board and a member of its Country Management Team. Mr Chew was seconded for two years to the Houston, Texas office (1982-84) for overseas work experience and personal development. Later, he was also seconded to Bank Negara Malaysia (BNM), the country's central bank, for about a year and a half (1986-88). In March 2005, Mr Chew became the Chief Financial Officer of Southern Bank Berhad ("SBB") but left in mid-2006 when SBB was acquired by Bumiputra Commerce Holdings Berhad (now CIMB). He has since been acting in a private consulting capacity to companies and individuals on boards and projects related to his skills and experience in business and finance.

Mr Chew at present is an Independent Non-Executive director of Carlsberg Brewery Malaysia Berhad, Mudajaya Group Berhad and Mulpha International Berhad. He is also the Audit Committee Chairman of each of these companies. He also sits on the board of several private limited companies as well as on the Board of Trustees of the World Wide Fund for Nature (WWF) in Malaysia.

Mr Chew 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.

Director's Profile (Cont'd)

Ms Gee Siew Yoong

Ms Gee Siew Yoong is a Malaysian aged 65 years. She was appointed to the Board of the Company in September 2014 as an Independent Non-Executive Director. Currently, she is a member of the Audit Committee and Remuneration Committee.

Ms Gee is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

Ms Gee Siew Yoong began her career with Messrs Price Waterhouse in 1969 and her last position there was the Senior Audit Manager and Continuing Education Manager before she left in 1981. She then joined the Selangor Pewter Group as Group Financial Controller during which period she was seconded to the USA from 1983 to 1984 as Chief Executive Officer of Senaca Crystal Inc., a company in the Selangor Pewter Group, which was undergoing reorganisation under Chapter XI of the US Bankruptcy Code. She later became the Personal Assistant to the Executive Chairman of Lipkland Group from 1985 until 1987.

Ms Gee was then appointed by Bank Negara Malaysia as the Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of the Central Bank until the successful completion of the reorganisation in 1991. She later joined Land & General Berhad as Group Divisional Chief, Management Development Services in 1993 before joining Multi-Purpose Capital Holdings Berhad as Executive Assistant to the Chief Executive in 1997 until 1999. During this period, she also served as a Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

Ms Gee currently sits on the Board of Sapura Resources Berhad, SapuraKencana Petroleum Berhad and Telekom Malaysia Berhad as an Independent Non-Executive Director.

Ms Gee does not have any family relationship with any other director and/or major shareholders of the Company and neither has she been convicted of any offence.

Ms Maggie Yeo Sock Koon

Ms Maggie Yeo Sock Koon is a Singaporean aged 48 years. She was appointed to the Board of the Company on 17 March 2015 as a Non-Independent Non-Executive Director. She was also appointed as a member of the Audit Committee and the Finance and Budget Committee.

Ms Maggie Yeo graduated from the National University of Singapore with a Bachelor of Accountancy degree. She is a graduate of Institute of Chartered Secretaries and Administrators.

Ms Maggie Yeo joined The Straits Trading Company Limited ("STC") as Finance Director on 8 September 2014. As Finance Director, she has overall responsibility for the Company's finance functions, including financial reporting, corporate finance, treasury, tax, budget management, risk management and capital management of STC and its group of companies. She plays a key role in working with senior management to develop, monitor and evaluate overall corporate strategy.

Ms Yeo has more than 20 years of working experience in the finance and accounting sectors. Prior to joining STC, she was the Senior Vice President for Reporting and Analytics Centre of Excellence in Sembcorp Industries Limited, the Chief Financial Officer in UMS Holdings Ltd and Director for Group Accounting Services in NOL. She was actively involved in mergers and acquisitions, financial and management reporting, budgeting and forecasting, shared services setup, tax, treasury as well as corporate governance and risk-management matters.

Ms Yeo does not have any family relationship with any other director of the Company and neither has she been convicted of any offence.

Management Team

1. **Mr Chua Cheong Yong**
   Chief Executive Officer

2. **En Madzlan Zam**
   Head, Geology & Exploration

3. **Cik Sharifah Faridah Abdul Rasheed**
   Group Company Secretary & Head of Legal and HR

4. **Mr Yap Kean Pang**
   General Manager, Marketing & Trading

5. **Mr Yap Fook Ping**
   Group Chief Financial Officer

6. **Mr Raveentiran Krishnan**
   Group Chief Operating Officer, Smelting

7. **Ir Mohamed Yakub Ismail**
   Group Chief Operating Officer, Mining/Senior General Manager, Rahman Hydraulic Tin Sdn. Bhd.

Statement by the Chairman

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Malaysia Smelting Corporation Berhad (MSC or the Company) and its subsidiaries (the Group) for the financial year ended 31 December 2014.

The global resource sector in 2014 continued to remain depressed and the year saw further declines in the prices of most commodities. Towards the later part of the year, the drastic decline in prices of crude oil brought to an end a four-year period of relatively stable and high oil prices.

The weakening oil prices compounded the already weak commodity market and led to concerns of a broader sell-off in commodities including base metals as investors pulled out of the resource sector. The commodity price weakness came amid signs of uncertainty over the short-term global economic outlook, in particular the softening of China's growth and stagnant growth in the Eurozone and the perceived threats on the health of the global economy arising from the conflicts in the Middle East and Ukraine.

Despite the uncertain global economic environment in 2014 and slow recovery in both developed and emerging markets, Malaysia was resilient, recording a 6% growth in GDP for the year. This was attributable to robust domestic demand.

Statement by the Chairman (Cont'd)

For the MSC Group, our profitability in 2014 was also impacted by tough external conditions, the weakening tin prices, increased operating costs and volatile exchange rates. Despite such a backdrop, the Group managed to achieve a 21% increase in its turnover to RM1.9 billion due to higher sales quantity of refined tin. The Group's core operations for the year continued to be profitable but suffered a decline to RM22.7 million net of tax as compared with RM47.8 million in the prior year due to higher operating costs and the negative impact of foreign currency translations. After including the loss from discontinued operations, the Group's loss net of tax was RM10.0 million against a profit net of tax of RM11.0 million in 2013.

Notwithstanding the disappointing results, I am pleased to report that we have made significant progress towards the disposal of the Indonesian operations which have been a drag on the Group's financial performance in recent years. We announced in June 2014 that the Group had divested two wholly owned subsidiaries, Bemban Corporation Limited (75% owner of PT Koba Tin) and PT MSC Indonesia.

Our strategy going forward remains focused on improving our operations in Malaysia, namely the Butterworth International Tin Smelting business and Rahman Hydraulic Tin (RHT) mining. In line with that mining strategy, we announced, in March 2014, the acquisition of an 80% interest in SL Tin Sdn. Bhd by RHT. SL Tin has secured a 15-year mining lease over an area of 267.3 hectares in Sungai Lembing, Pahang. SL Tin is currently carrying out exploration works and targeting to proceed towards resource determination this year. On the tin smelting business, the Butterworth smelter has achieved a significant milestone in 2014 with the addition of a sixth furnace, our first smelting capacity expansion in nearly 50 years of operations. The new furnace is expected to contribute an additional 15% to the smelter's overall capacity and will enable the smelter to have a more effective flow-sheet, providing opportunities for smelting additional feedstock, reduction of intermediate stocks and enhancing its by-product stream.

On the development of our remaining significant non-tin investments in KM Resources Inc (KMR), a 30% joint venture which owns a poly-metallic mine in the Philippines, the process of winding down has started in earnest following the cessation of mining activities at end-2013 arising from exhaustion of economic reserves. Rehabilitation works and decommissioning of the mine commenced soon after approval was received from the Philippines Department of Environment and Natural Resources in May 2014. The rehabilitation and decommissioning programme is expected to take two years and KMR has set aside sufficient funds for this purpose.

Since our entry into the joint venture in 2008, KMR has contributed positively to Group earnings.

Statement by the Chairman (Cont'd)

PROSPECTS

While we still maintain a positive long term outlook for the tin sector, 2015 is expected to be another challenging year for resource companies like ours as broad-based weakness in the global commodity sector is expected to continue throughout 2015.

However, over the years, the cyclical nature of our business means that we have the experience and resilience to weather the storm and overcome strong headwinds, and enable us to ride through the cyclical trends in the global market and economy. With our roots tracing back to more than a century, the Group has experienced the full depth and breadth of tin market and global economic cycles. Therefore in the current environment, our focus will be on operating cost reductions and productivity improvement in our core operations and this process will translate into a leaner and stronger Group which will position us better to benefit from the upside when the cycle changes.

Despite current challenges, the Group maintains its view that the long term prospects of the global tin industry will remain strong, driven by increasing demand for commodities in infrastructure and lifestyle spurred by the growing middle classes of China, India and other large populated emerging economies.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2014.

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

Statement by the Chairman (Cont'd)

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 on-going 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 describes the process now in place and is regularly reviewed by the Board and Board Committees.

ACKNOWLEDGEMENT

There have been a number of changes at the Board in the past year. First and foremost, the Board would like to extend our sincere thanks and appreciation to Mr Norman Ip who had stepped down as Chairman and member of the Board on 1 July 2014. Mr Norman Ip has long association with the Company, having served as a director of the Company for 21 years, the last 7 years of which in the capacity of Chairman. With his vast business management experience and wisdom, Mr Norman Ip has shared invaluable insights and advice with the Group during his tenure. A special note of thanks is also conveyed to Mr Mark Greaves and Ms Thai Kum Foon, both of whom had stepped down from the Board on 31 May 2014 and 17 March 2015 respectively, for their valuable contribution.

It is a great honour and privilege for me to take over from Mr Norman Ip to serve as your new Chairman. The Board would also like to congratulate Mr Chew Kwee San on his appointment as the Deputy Chairman of the Board. In addition, the Board would like to extend a warm welcome to three new directors, Mr Chew Hoy Ping who joined us in May 2014, Ms Gee Siew Yoong in September 2014 and very recently Ms Maggie Yeo Sock Koon in March 2015. Following the new Board appointments, several changes were made to the composition of the various Committees of the Board. These new appointments will ensure that the Board has the appropriate balance of skills, experience, independence and knowledge, to enable it to discharge its duties and responsibilities effectively and to best position the Group towards attaining success into the long term.

This AGM will witness the retirement of another long serving director on the Board of the Company, YBhg Dato' Seri Mohd Ajib Anuar. First appointed as a Non-Independent Non-Executive Director of the Company in July 1986, Dato' Seri has served the Company for an illustrious 28 years. YBhg Dato' Seri had also served as the Group's Chief Executive Officer/ Executive Director of the Company for 20 years and was pivotal in the Group's many achievements over the years. His presence and guidance will be sorely missed by the Company, and we wish him well for his future.

Further, I would like to express my thanks to my 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.

Razman Ariffin
Chairman

18 March 2015

Chief Executive Officer's Review

PERFORMANCE

The Group's core operations, comprising the Butterworth International Smelting business and Rahman Hydraulic Tin mining, continued to be profitable but its combined profit, however, registered lower at RM68.43 million compared with RM100.24 million in financial year 2013. Earnings were dragged down primarily by higher cost pressures leading to a lower profit margin, provision for financial guarantee relating to the Group's operations in Indonesia amounting to RM9.6 million as well as a negative impact of foreign currency translation. Group profit from continuing operations was RM44.99 million before tax and RM22.66 million after tax respectively in 2014.

The Group managed to record a 21% increase in Group revenue for the financial year 2014 of RM1.9 billion from RM1.6 billion for the financial year 2013, helped by higher sales quantity of refined tin.

Following the divestments of Bemban Corporation Limited, which is the penultimate holding company of PT Koba Tin, as well as PT MSC Indonesia in June 2014, the Group has ceased all operations in Indonesia. The de-consolidation of the assets and liabilities after the disposals of the Group's Indonesian subsidiaries has resulted in some non-cash adjustments of RM32.63 million in losses net of tax which has been classified under discontinued operations. During the financial year ended 31 December 2014, the Group carried out a review of the recoverable amount of its investment in KM Resources Inc (KMR) and an impairment provision of RM4.2 million was recognised in profit or loss of the Group. Currently, KMR is in the process of being wound up.

After deducting income tax expenses, and loss from discontinued operations of Indonesian entities, the Group registered an overall after tax loss of RM9.97 million. However, in terms of cash flows, net cash generated from operating activities remained healthy at RM21.49 million despite the challenging operating environment.

MSC Group has, in the last few years, embarked on a long and difficult journey of strategic restructuring aiming to refocus the Group back to its core tin business and de-risk its earlier multi-resource business model. Key elements of this strategy include divestments of non-tin related assets, and the remaining interests in the Indonesian tin business and further enhancing the profitable core operations. The execution of this strategy led to a series of significant impairment losses which have affected the Group's bottom line and, fortunately, was abated by the strong performances of its core tin operations. With the completion of the disposals of the Indonesian subsidiaries and most non-tin assets and barring unforseen circumstances, the Group can now look forward to more consistent positive performances and improved cash flow from its profitable core operations in the years ahead.

The Group has begun to see some early results in terms of financial strength as it moved towards the tail-end of its restructuring in 2014. Group balance sheet has improved significantly in financial year 2014. As at 31 December 2014, MSC Group's net assets has increased by RM54 million to RM234 million (2013: RM180 million) translating to a net asset value of RM2.34 per share. Cash, bank balances and deposits also increased by RM14 million to RM118.0 million (2013: RM104 million) with total borrowings, which comprised mainly trade related credit facilities, decreasing by almost RM28 million to RM341 million (2013: RM369 million).

Production and Sales	2014	2013
Tin Metal Production (tonnes)		
MSC International Smelter, Butterworth	**34,971**	32,668
Rahman Hydraulic Tin (tin-in-concentrates)	**2,238**	2,223
PT Koba Tin	**Nil**	387
Average tin price (USD per tonne)	**21,900**	22,300
Sales – continuing operations	**RM1.9 billion**	RM 1.6 billion

Chief Executive Officer's Review (Cont'd)

Financial Highlights	2014 RM million	2013 RM million
Profit before tax (continuing operations)	**45**	71
Profit/(Loss) after tax		
- Continuing operations	**23**	48
- Discontinued operations	**(33)**	(37)
(Loss)/Profit after tax attributable to the owners of the Company	**(10)**	17
Cash and bank balances	**118**	104
Equity attributable to the owners of MSC	**234**	223
Debt : Equity Ratio	**(1.5:1)**	(2.0:1)
(Loss)/Earnings per share	**(9.9) sen**	16.8 sen
Net assets per share attributable to the owners of the Company	**RM2.34**	RM2.23
Pre-tax return on average shareholders' equity attributable to the owners of MSC (Continuing operations)	**20%**	31%

INTERNATIONAL SMELTING BUSINESS

	2014	2013
Production of refined tin metal (tonnes)	**34,971**	32,668
Profit before tax (RM million)	**38.63**	65.82

The Butterworth international smelting operations achieved a pre-tax profit of RM38.63 million in 2014. Metal production increased to 34,971 tonnes from 32,668 tonnes in 2013, which helped to maintain MSC Group's position as the second largest producer of refined tin metal in the world. The higher production achieved was largely due to an increase in smelting throughput and a healthy intake of feed materials in 2014. During the course of the year, a new furnace was commissioned increasing the overall smelting capacity by 15%. Intake of feed materials in 2014 exceeded 50,000 tonnes, the highest intake for the smelter in the new millennium. The smelting volume is expected to improve in coming years due to expected increases in artisanal mine production, particularly from Africa, as well as from other industrial scale tin projects which are expected to come on-stream during the course of the next 3-5 years. There are currently a number of tin mining projects in the pipeline that may enter into development and mining phases once the tin prices are high enough to support the economics and funding is available. However, intake of crude tin, which has been a major component of the smelter's intake for a number of years, for refining will remain highly volatile and will very much depend on the quantity imported from Indonesia.

Chief Executive Officer's Review (Cont'd)

The Group continues to actively engage with all stakeholders of the global tin industry to promote the sustainability concept.

At the upper stream end of the tin supply chain, significant efforts were expended by the Group during the year to promote and expand the implementation of the International Tin Supply Chain Initiative (iTSCi) due diligence scheme for responsible sourcing of metals and minerals in the Central African countries. The iTSCi scheme is backed by all stakeholders and has been very successful in its agenda to ensure traceability of tin and tantalum minerals, sourced from the Democratic Republic of Congo (DRC) and adjoining countries, in compliance with the U.S. Dodd Frank Act and UN/OECD/EU directives relating to responsible sourcing of tin minerals from conflict regions.

At the consumers' end of the supply chain, the Butterworth Smelter is directly engaged with Intel, Apple and others, under the Electronic Industry Citizen Coalition's (EICC) scheme to provide conflict free certification to participating smelters, to ensure that minerals sourced by the tin smelting industry from Central African countries are conflict free. The Group also works closely with EICC and other stakeholders to discourage disengagement by consumers and supply chain players alike from the region as it would, otherwise, severely affect the economies of these impoverished countries and the livelihood of the large artisanal community.

RAHMAN HYDRAULIC TIN SDN BHD (RHT)

	2014	2013
Production of tin-in-concentrates (tonnes)	**2,238**	2,223
Profit before tax (RM million)	**29.80**	34.42

RHT operates a hard-rock open-pit tin mine in the State of Perak and is Malaysia's oldest and largest operating tin mine producing about 40 to 60% of the country's tin production.

The mine maintained a clean safety record and complied with stringent regulatory environmental and mining standards.

In 2014, the mine pit continued to expand and was deepened by another 10-metres resulting in the exposure of sufficient ore material which enabled the processing plants to operate at their full capacity.

Production at 2,238 tonnes tin-in-concentrate was marginally higher than that achieved in 2013 arising from a 5% increase in ore volume processed to 969,000 cubic meters that offset a 4% drop in ore grade. Another rod mill and two jaw crushers were installed during the year which increased processing capacity and improved processing efficiency.

Profit before tax at RM29.8 million was 13% lower than that in 2013 which is mainly attributable to higher mining costs. In March 2014, RHT acquired an 80% interest in SL Tin Sdn Bhd (SL Tin) a company which had secured a mining lease of 267 hectares with prospective tin mineralisation located near Sungei Lembing Town, Hulu Kuantan in the state of Pahang for a period of 15 years.

Tin Exploration and Resource

RHT's current estimated tin resource is based on the results of 98 reverse circulation (RC) drill holes and 49 diamond drill holes with a total length of 17,840 meters that were drilled between 2005 and 2012. The procedures and standards used in the resource estimation complied with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). The tin resource as at 1 January 2015 is shown in the table below.

Resources Class	Ore Volume (m^3)	Ore Grade ($KgSn/m^3$)	Contained Tin (tonnes)
Measured	1,924,048	2.55	4,897
Indicated	2,317,784	2.47	5,727
Inferred	14,793,776	1.68	24,892
Total	19,035,608	1.87	35,516

Chief Executive Officer's Review (Cont'd)

Following a seismic reflection survey carried out in 2013, RHT proceeded with a deep drilling programme to test the existence of deep-seated tin ore body that was not intersected by previous drilling programmes. In total, 23 drill holes (combination of RC and diamond drill holes) with a combined drill length of 6,153 metres were drilled. The drilling programme was completed in December 2014 and the drilling data is currently being evaluated.

The 2014 drilling programme has shown some encouraging results with several good tin mineralization zones intersected near the geological faults. These good intersections are mostly located outside the present known envelope of RHT's tin ore bodies, which could potentially lead to the discovery of new tin resource.

Subject to positive outcome from the present drilling data evaluation, a closely spaced in-fill drilling programme will be undertaken in 2015 to confirm the new tin mineralization zones and to enable evaluation of the new tin resource in accordance with the JORC Code.

At SL Tin, a preliminary exploration programme within the mining lease was carried out and completed in 2014. The programme comprised trenching and channel sampling works to investigate the occurrences of tin on the ground surface as well as to evaluate viable targets for future drilling programme.

A total of 11 trenches with a combined length of 4,248 metres were excavated in SL Tin's mining lease. The channel samples taken from the trenches located at the northern part of the mining lease showed encouraging tin occurrences. A reconnaissance drilling program is planned in 2015 to test the tin occurrences shown by the surface trenching program.

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 finite natural resources; integrating social and environmental responsibilities into our management system and partnering closely with government and all segments of society to achieve a sustainable operation and industry.

During 2014, the Group contributed RM35.8 million in the form of government taxes and royalties, RM3.3 million in environmental management and rehabilitation programmes and RM1.1 million in various CSR programmes.

OUTLOOK

As the global commodity industry continues to remain depressed in the current down cycle, the market environment for tin will continue to be challenging.

The supply side in the global tin industry remains a thorny and unpredictable issue as production from artisanal operations still constitute a high proportion of the world tin production. While tin demand has remained relatively stable, recent reports on the high artisanal production from the Wa State in Myanmar is a major concern to the industry.

The Group will continue to focus on sustainable improvements in its core operations and this is underpinned by the Group's efforts in 2014 resulting in the installation of a new automated casting line and the 6th furnace at the Butterworth smelting facility as well as in RHT where a comprehensive exploration programme is ongoing and designed to expand its tin resource base.

The Group has been through many economic and commodity cycles and this is a strong testament to its operational ability to withstand the down cycle and position itself to reap the benefit from the upswing.

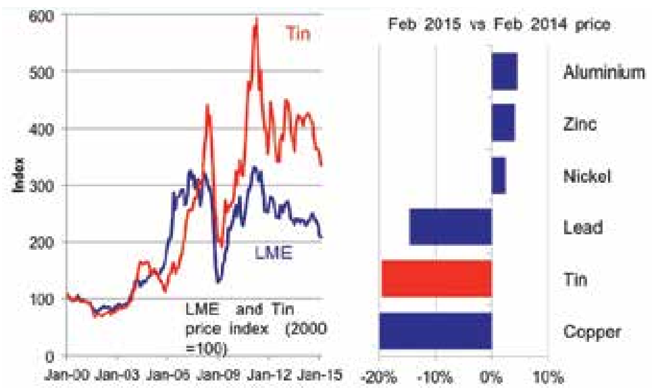
Chua Cheong Yong
Chief Executive Officer

18 March 2015

Tin Market Review and Outlook

Source: ITRI Ltd

Trends in tin prices have disappointed producers and companies hoping to develop new mines over the last year. This is part of a bigger picture, with most commodity prices weakening as a function of expectations of slower global growth, notably in China. In the tin business demand growth and Indonesian supply constraints have been positive features, but these have been outweighed by an unexpected surge in production in China, supported by ample imports of tin ore from Myanmar. This has resulted in China becoming a net exporter of tin metal for the first time in seven years and the global market moving into surplus in 2014 for the first time since the global financial crisis.



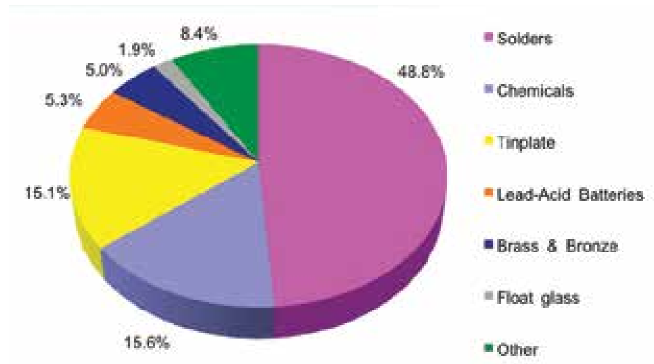
Tin versus other LME metal prices

This is probably a temporary situation: modest global demand growth, falling production in Indonesia and very slow progress in the development of new mine projects worldwide is forecast to result in more supply deficits in 2015 and subsequent years. However because the tin supply forecasts are heavily influenced by unpredictable trends in artisanal and small-scale mine production in Asia there is a high degree of uncertainty around them.

World Supply/Demand Balances in Refined Tin ('000 tonnes)	2011	2012	2013	2014	Forecast 2015
World					
World Refined Production	354.3	334.7	340.1	368.6	363.6
DLA Sales	0.0	0.0	0.0	0.0	0.0
World Refined Consumption	359.4	339.4	349.1	361.3	368.2
Global Market Balance	**-5.1**	**-4.7**	**-9.0**	**7.3**	**-4.6**
Reported stocks					
LME	12.1	12.8	9.7	12.1	9.0
Producers	8.2	9.2	6.1	9.5	9.0
Consumer/other	9.6	10.7	10.9	11.2	11.0
Total	**29.9**	**32.7**	**26.7**	**32.8**	**29.0**
World Stock Ratio					
(weeks consumption)	4.3	5.0	4.0	4.7	4.1

CONSUMPTION PICTURE BRIGHTER

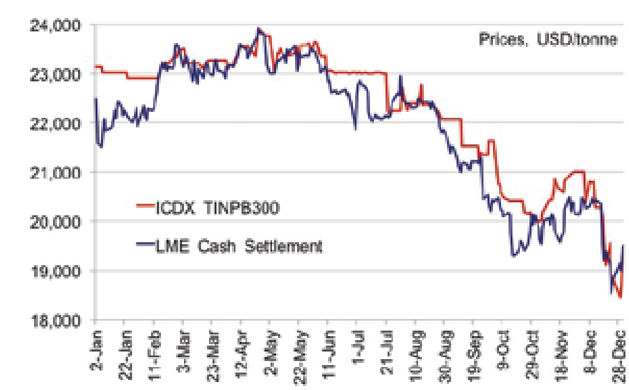
World refined tin consumption growth accelerated above its long term trend rate of some 2% per annum in the early 2000s, reaching an all-time peak of almost 373,000 tonnes in 2007. Subsequently the global financial crisis of 2008-2009, miniaturisation and changing assembly technologies in the electronics industry and substitution and economisation in other applications resulted in generally weak demand up to 2012. However, ITRI surveys of a large sample of tin users indicate that there has been a solid revival in the last two years, with particularly strong contributions from the tin chemicals business and lead-acid batteries. World tin use is estimated to have risen by 3.5% in 2014, and the current pattern of applications is shown in the pie chart. Future uses of tin are discussed in the next section of the report.



Estimated world refined tin use, 2014

PRICES WEAKNESS IMPACTS INDONESIAN SUPPLY

The annual average LME cash settlement price in 2014 was USD21,893/tonne. While the annual average was only 1.8% lower than in 2013, the market weakened considerably in the second half, as the chart shows. Through the first half of the year the LME trading range was mainly between USD22,000 and USD24,000, with Indonesian producers attempting to maintain a floor ICDX price of USD23,000. However as the tin market moved into oversupply in the second and third quarters and investor confidence in the outlook for the world economy progressively deteriorated, the price floor was repeatedly undermined. In December, the ICDX standard opening bid levels dropped below USD20,000 for the first time, while on the LME tin proved to be one of the weakest of the primary metal contracts, partly due to technical fund selling. The low point for the year of USD18,565/tonne was reached on 23 December 2014.



LME and ICDX proces in 2014

There was a temporary recovery in January 2015, but a further relapse in February, with the LME three months price hitting a 30-month low of USD17,445 in the middle of the month, triggering a spate of reports from Indonesia about plans to restrict sales to support prices. State tin company PT Timah announced that it was suspending spot sales on 13 February 2015 and the nineteen private smelter members of the Association of Indonesian Tin Exporters (AETI) opted on 17 February 2015 for monthly limits on members' sales of 2,000 – 4,000 tonnes per month, depending on market conditions. While there was talk of sales restrictions, actually exports have been rising this year. January shipments were provisionally reported by the trade ministry at 6,770 tonnes, up by 47% year-on-year and ICDX sales volumes continued to rise in February.

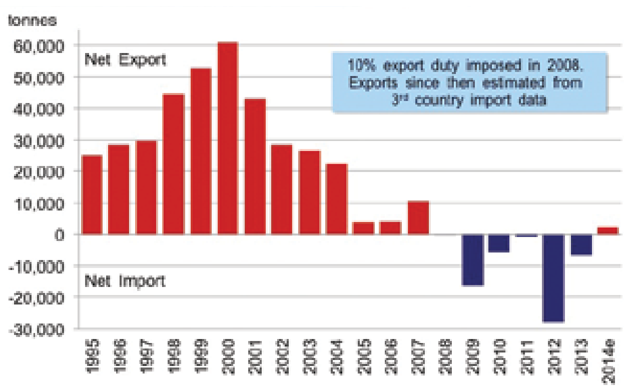
None of the plans involve production cuts, so it is unlikely that there will be any lasting market impact of whatever scheme might be agreed. However, while the market may be very sceptical about the Indonesian schemes, it may be overlooking the fact that exports have declined significantly since the new regulations forcing sales through the ICDX came into force

Tin Market Review and Outlook (Cont'd)

at the end of August 2013. While monthly sales have been volatile and unpredictable, the average monthly level has dropped to some 6,250 tonnes per month over the last 17 months, compared to an average of just over 8,000 tonnes per month in the previous five years. On an annualised basis, therefore, Indonesian supply has fallen by some 20,000 tonnes per year. With lower prices and promised stricter implementation of controls on mining leases, underlying production in Indonesia is likely to fall further.

CHINA MARKET TRANSFORMED BY SUPPLY SURGE FROM MYANMAR

In recent years Chinese tin smelters have faced a range of challenges, including rising input costs and increasing environmental compliance costs, but the most difficult was tight supply of tin raw materials, as local mine production has stagnated since the early 2000s. While some components of raw material supply – scrap and Indonesian tin for re-refining – have become scarcer, this has been more than offset in the last two years by a huge growth in ore supply from Myanmar. Mainly as a result of this China has swung back from being a net importer of refined tin every year since 2008 to a net exporter again in 2014.



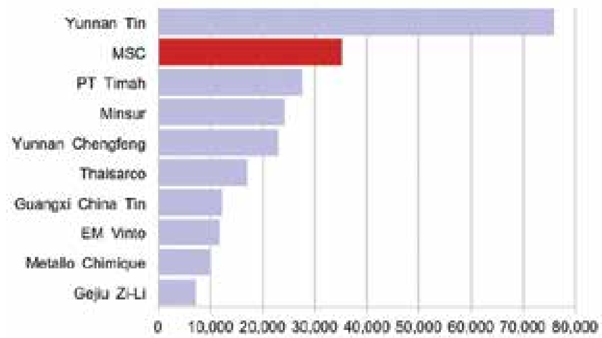
China net trade in refined tin

We estimate that Myanmar mine production jumped by 325% to 17,000 tonnes in 2013 and rose another 76% to some 30,000 tonnes in 2014. The great majority of supply is moving across the border into Yunnan province from Wa County, Shan state, in the form of crushed ore (typically around 10% Sn) or semi-processed pre-concentrate (20 – 25% Sn). This is an autonomous area with strong historical links with China. The mining area is known as Man Maw and is only around 90 km from the border crossing at Panghsang, although road transport links are currently very poor. Production is coming from open pits and high grade small-scale underground operations and is highly seasonal, with mining activity and transport heavily disrupted in the wet season from May to October 2014. Although production is quite disorganised and there is no geological information on the tin resource, there is ongoing investment in expanding ore processing capacity and upgrading transport and power infrastructure.

Based on current limited knowledge, national output is expected to increase slightly to 35,000 tonnes in 2015, including a small contribution from other producing areas in the south of the country. However the forecast is subject to a wide margin of error. One potential limiting factor is the recent upsurge in conflict between ethnic rebels and government forces reported in another part of Shan state, north of Wa County, in February. While this has not directly affected tin operations or transport, it could well adversely affect the planned investments mentioned above.

THE LEADING REFINED TIN PRODUCERS IN 2014

World refined tin production rose by over 8% in 2014, much more than originally expected. The chart shows the top 10 companies last year, with MSC maintaining its share of the global market and its position as the second largest producer in the world for the fourth consecutive year. All the Chinese companies in the top ten also increased production as raw materials availability eased. Only two of the ten companies reported lower output in 2014: Thaisarco and Metallo Chimique.



Top 10 refined tin producers in 2014

MARKET OUTLOOK

While we believe Chinese production could continue to increase, the gains are expected to be much smaller this year, as the growth in imports from Myanmar slows and domestic mine production in China is expected to fall slightly. Meanwhile a predicted fall in Indonesian mine production is not immediately obvious in the refined tin forecasts. Production of refined tin ingot in Indonesia may rise as a result of the throttling off of the solder and tin product trade at the end of last year by the new export regulation, so the change is reflected in lower forecast production figures in Malaysia and Thailand. Elsewhere in the world no other major production changes are expected. The pipeline of new mine projects is largely stalled in the current market environment, with most junior exploration companies unable to raise significant funding to bring new mines into production. On the demand side, we are predicting slower growth than in the last two years, reflecting the macro-economic environment. The net result of all the assumptions is that a market deficit of some 5,000 tonnes is forecast.

Price forecasts depend partly on the tin "fundamentals" and partly on the general economic/commodity market environment, which remains uncertain. Currently tin-specific factors are not clear or positive enough to counter-act the general ones affecting all commodity markets. The latest Reuters poll of analysts' price forecasts published at the end of January gave an average predicted 2015 LME price of USD21,045/tonne, within a range of predictions from USD18,500 - USD23,500/tonne. The forecasts for tin and the other LME metals for 2016 are for across-the-board improvements, with the mean tin price forecast of USD23,520/tonne, within a range of USD19,750 - USD28,000/tonne.

World Production and Consumption Of Refined Tin ('000 tonnes)	2011	2012	2013	2014	Forecast 2015
Production					
China	160.0	152.0	158.1	175.0	178.0
Indonesia*	60.4	52.3	54.8	67.5	70.0
Malaysia	40.3	37.8	32.7	35.2	28.0
Thailand	23.9	22.8	23.0	17.1	14.0
Bolivia	14.5	14.3	14.9	15.6	16.0
Brazil	7.0	9.5	10.6	11.9	12.5
Peru	30.2	24.8	24.1	24.2	22.0
Belgium	10.0	11.4	10.3	9.8	10.0
Poland	0.8	1.4	2.0	2.2	2.2
Russia	0.7	0.9	0.6	1.0	1.0
Other	6.5	7.5	9.0	9.0	9.9
Total World	**354.3**	**334.7**	**340.1**	**368.6**	**363.6**
Consumption					
China	156.7	149.7	156.4	162.7	167.8
Japan	28.7	27.3	27.0	26.4	26.0
Other Asia	56.8	55.0	57.3	58.5	59.0
USA	31.5	31.0	30.5	31.4	32.0
Other Americas	19.6	18.6	18.9	19.5	20.0
Europe	62.3	54.8	56.0	59.5	60.0
Other	3.8	3.0	3.0	3.3	3.4
Total World	**359.4**	**339.4**	**349.1**	**361.3**	**368.2**

Future Uses of Tin

Source: ITRI Ltd

Tin is an essential element in modern life in many ways that are not often recognised. As solder it glues together all of the electrical and electronic devices that we have come to depend on. As tinplate it preserves food for ourselves, our children and our pets and has done for more than two hundred years. As chemicals it makes and stabilises many of the plastics that we have around us every day. And who can forget that the only reason we can see out of windows is that molten tin makes glass flat in the float glass process. And that is the reason why we can expect tin use to continue to grow in line with global economies, especially driven by the growth in middle class incomes in emerging economies, especially China.

SOLDER BENEFITS FROM NEW ELECTRONICS SYSTEMS

Solder markets have certainly been challenged in recent years by increasing miniaturisation of electronics. This trend has pushed back significant gains made in tin use over the last decade from the introduction of lead-free soldering.

But now we see a huge expansion of new electronics systems. LED technologies and automotive electronics in particular have driven solder sales. We can add alternative energy systems, wearable electronics, 'Internet of Things' and even drones to the growing list of new technologies.

These increasing complexities are challenging solder producers to develop new solder products that are increasingly customised to meet demands of miniaturisation, high reliability uses and harsh environments for example. To save energy and to make soldering more compatible with the new designs there is a drive towards low temperature solders using more bismuth for example.

Such changes will challenge solder producers in China in particular, where the pace of technology change is gathering speed. China solder producers use one quarter of the world's tin so this sector is vitally important. We will also see some new tin use as the conversion to lead-free soldering finally reaches sectors such as the aerospace and defence industries that have so far resisted change.

TINPLATE MARKETS BOOSTED BY ASIA CONSUMERS

The tinplate market is highly polarised, with demand in Europe, Japan and the USA flat or even declining, balanced by above average growth rates in China and other emerging economies. More working middle class, especially working mothers, are looking for branded canned food products that offer convenience and ready meals, especially for feeding children.

The unique sustainability credentials of tinplate will become more and more important as rapidly expanding populations need to deal with growing mountains of packaging waste and declining resources. Tinplate cans are infinitely recyclable by being easily collected by magnet and put back through the steel furnace to produce a new can each time.

The ability of tin cans to preserve food and robustly transport it to population centres will become more important in countries such as India, where today 40% of fresh food is wasted.

TIN CHEMICALS GROWING STEADILY

The tin chemicals market has the strongest potential to grow and this has already been seen in the market data. Provisional figures for 2014 show that tin chemicals have overtaken tinplate as the second largest use of tin. The sector is very diverse, which makes it very robust to change.

It is challenged strongly in Europe particularly by regulatory issues and cheaper competitors in some of its largest markets such as PVC stabilisers and, more recently, polymer catalysts and glass coatings. However, outside Europe the markets are holding and in Asia growing fast. Most of these markets are strongly correlated with key sectors of the economy such as construction, transport and engineering. Tin is still considered the best technical performer in many of these areas. Overall the net effect of these strongly polarised drivers is still positive and steady growth is expected.

There are always new tin catalyst products, for example recently in Vitamin E or biodiesel production. Tin has always been known as an important catalyst and can sometimes do remarkable things when used with organic compounds. One recent example was reported in a scientific paper using tin in the exciting new market of carbon capture, where it was able to convert carbon dioxide to polyurethane plastic. It can also be used as a photocatalyst to split water in sunlight to generate hydrogen. These uses tend to be rather small in volume individually but added together can make a significant contribution to tin use.

A new area of research attracting a lot of recent press attention is use of tin as an anti-cancer agent. One recent paper hailed tin as the most exciting breakthrough since platinum drugs were introduced 50 years ago. Tin use as stannous flouride is also set to grow after its introduction into toothpaste by Proctor & Gamble and recent positive trials as an anti-BDD (Bovine Digital Dermatitis) agent for cattle hoof problems. Stannous chloride is now being used in fracking fluids to reduce problems with iron – another potentially large market.

ENERGY APPLICATIONS THE CURRENT FOCUS FOR NEW USES

In the short term the big growth has been in lead-acid batteries where up to 2% tin addition to battery grids increases energy efficiency. Despite the advent of competitive products, the lead-acid battery is still the cheapest and best way to store energy in massively growing markets such as hybrid vehicles, e-bikes, alternative energy and cloud storage backup. China is the fastest growth sector - lead-acid batteries are the fourth largest tin use there. A recent China government directive specified that lead-calcium-tin grids should be used instead of lead-antimony.

Tin is likely to have some use in lithium ion batteries as a nanotin product added into the carbon electrode. Although early tin-containing consumer products were withdrawn under strong competition from silicon, there continues to be published research work on tin used alongside silicon and the large hybrid car market remains potentially open. Tin also continues to be featured in research on materials for next generation magnesium and sodium ion batteries.

Smaller but potentially significant markets for tin are in new generation low cost solar cells materials where it still has leading R&D positions in two of the major material categories. Likewise in thermoelectric materials, for converting waste heat into electricity, tin-containing materials are frequently included in scientific publications. It remains to be seen where these technologies will go, but there are potentially large-scale high-added value future markets in wearable electronics and architectural glass for example.

Adding all of this together we can see that despite some significant challenges tin is a robust and versatile element, likely to have a bright future.

Our **Entrepreneurial Creativity** is premised on:

- Responding effectively to circumstances as well as acting as game changer
- Creative problem-solving that encourages thinking outside the box for new business opportunities
- Eliminating misfit between corporate aspirations and complacency while aggressively searching for and pursuing emerging opportunities
- Continuous learning of customer and industry needs as well as inventing and experimenting with new frontiers

ENTREPRENEURIAL CREATIVITY

Corporate Social Responsibility

In today's world, *"business as usual"* is no longer acceptable and businesses should not only be concerned with the bottom line. Meeting and managing the diverse needs and expectations of multiple stakeholders (ranging from employees to shareholders, the board of directors, customers to business partners, regulatory authorities and managing the social and environmental aspects within the community in which the company operates) are just as critical.

Corporations worldwide are faced with a new reality that consumers now expect more from them than just products at the right prices and good services. On top of their daily responsibilities, many people are looking to businesses to help solve global and regional issues because businesses cannot simply be a bystander in a system that provides a profitable existence to them in the first place. Corporations are expected to shoulder and share part of the responsibility, and that requires more long-term thinking and planning into building sustainable operating business models.

In today's growing society consciousness on social and environmental issues there is a compelling demand that businesses today not only need to have a business licence to operate but a *Social Licence to Operate (SLO) as well as an Environmental Licence to Operate (ELO)*.

MSC Group embraces all of these licences under its corporate social responsibility (CSR) umbrella which ensures that the Group's actions make a lasting and positive impression on employees, customers, shareholders and communities. We understand that our commitment and approach to social and environmental responsibilities are fundamental to our long term success as a resource company. Guided by this philosophy, we continue to optimize our business value and build our stakeholders' trust as we look for new ways to enhance our competitiveness while minimizing our environmental footprint and creating benefits for communities.

In addition, we also believe that social and economic empowerment is best achieved working in partnership with local and national governments, non-governmental organisations (NGOs), our business partners and clients. By working with the right partners, we have the potential to make an even greater tangible and sustainable difference to the social and economic development of the communities we serve.

An initiative that we take tremendous pride in is MSC's participation in the engagement and development of the ITRI Tin Supply Chain Initiative (iTSCi) scheme which enables export of conflict free minerals from Democratic Republic of Congo (DRC) and its neighbouring countries. iTSCi is a traceability, tracking and due diligence programme, developed as a collaboration between the international tin industry (represented by ITRI) and the Tantalum-Niobium International Study Centre (T.I.C.), of which MSC is a member. The traceability system uses uniquely numbered tags that allows companies to confirm the actual source and trading chain (from mine to smelter) of the minerals they purchase and aims to help relevant end-users to report on their due diligence effort as legally required by the U.S. Dodd-Frank Act. The scheme has ensured that the livelihood of thousands of artisanal miners and dependents are protected as well as its significant contribution to the impoverished economy of DRC.

The Company CSR report can be broadly divided into four sections i.e. local communities, human resources, safety & health, and environmental management, which represent the focus areas that MSC integrates into its daily operations and long-term sustainable business plans.

LOCAL COMMUNITIES

MSC builds and maintains strong community relationships through engagement and honouring the commitments we make to local communities in the countries and/or areas in which we operate. We strive to be a good neighbour, sharing the concerns of our communities and dedicating our capabilities, resources and people to help creating a better future.

As in previous years, the Group contributed towards educational, religious, social and recreational activities or to projects undertaken at local and district levels. A major contribution was in the backfilling of a site for a housing scheme to be developed by the Pengkalan Hulu District Council at Klian Intan, using earth material sourced from the mine's mining leases. This project is expected to be completed during the first half of 2015.

Besides annual contributions to various charitable organizations, the Group also responded to calls for help from the government from time to time. A recent example is its participation in the flood relief programme in the East Coast of Malaysia to assist victims adversely affected by the devastating flood. Our representatives distributed food and essential supplies to the displaced flood victims as well as extended assistance to schools and students to get back on their feet.

In March 2014, the Group donated a 25kg tin ingot (99.99% Sn) to the Sungai Lembing Museum. The museum, housed in the former residence of a mine officer, was first opened in 2003 and is the only museum in Malaysia that is dedicated to the exhibition of various collections of mining paraphernalia and equipment used in underground tin mining. The tin mine in Sungai Lembing has a long history dating back to the 1800s and was among the deepest and longest underground mine in the world then. The mine was commercialized on a big scale and enriched the nation's economy, making Sungai Lembing renowned throughout the world. MSC is proud to be associated with the museum especially in the effort to create awareness among the public of the country's rich legacy in tin mining.

Further abroad and in DRC, the Company distributed about 300,000 exercise books to schools in the Maniema province where it has a presence. There is also a plan to install solar powered street lights in Kindu where the office and warehouse are located.

HUMAN RESOURCES

We recognise that the most important resource of the Group is the human capital because we depend on the talents, loyalty and commitments of our employees for our success. Therefore, we see inherent value in the continuing development and training of our workforce. Each year we allocate significant resources, at both the management and employee levels, to increase workforce productivity, improve performance, increase

Corporate Social Responsibility (Cont'd)

employee interest and satisfaction to help them succeed. At the same time, we also work hard to promote an inclusive culture to retain our talent and help them achieve their potential at work and in life.

During the year, the Butterworth smelter conducted in-house training to upgrade the skills of its employees to enhance productivity level. Besides that, the smelter also offered industrial training opportunities and subsidies for selected university students.

At Rahman Hydraulic Tin (RHT), we continued to sponsor our employees for courses and seminars organised by professional bodies and government agencies on work-related subjects aimed at upgrading their technical competence. We also organised in-house courses for a larger group of employees, mainly on technical subjects and on safety and health. The mine, with its large open pit, processing plants and other mining infrastructure, was the preferred choice for industrial training among local universities in mining-related disciplines.

As part of RHT's succession planning and to develop competent technical personnel for future mining ventures, the mine has a complement of 21 graduates all of whom were employed in the last four years and these graduates are working in various disciplines of geology, mining, mineral processing, and mechanical engineering.

SAFETY AND HEALTH

Safety and health is a Group core value. We recognise that strong health and safety performance improves productivity and reduces delays and costs associated with accidents; all of which contribute to better business performance. Therefore, the Group strives to create a positive safety culture in all parts of its organisation, where everyone is committed to their own safety and the safety of their colleagues.

Our group wide 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 and Safety equipment services and facilities
- Workplace inspections and evaluations
- Reporting and recording of incidents, accidents, injuries and illnesses
- Provision of information to employees

In 2014, both RHT mine and Butterworth smelter attained a clean safety record including the absence of major incidents inflicting damage to property within the mining leases, smelting plant and its surroundings and this is attributed to strict adherence with all laws on mining, industrial safety and explosives as well as to safety measures adopted by the mine and smelter. In the mine pit the measures included maintaining stable slopes, having large pit floor and adequate access roads to exit the mine pit during emergencies whilst stable slopes were maintained at the tailings dams, tailing bunds and waste dumps. Emphasis was also given on road safety involving dump trucks used by the mine's earth-moving contractors.

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 educational programmes to them.

ENVIRONMENTAL MANAGEMENT

Increasingly throughout the world, resource industry is taking a proactive approach to improving environmental performance and using new technologies that decrease water and energy use, minimise environmental disturbances, and better remediate work sites after operations are complete. Such changes are driven by heightening expectations from society for improved environmental performance, more stringent regulations as well as economic considerations. The Group have also made environmental sustainability an essential ingredient in doing business responsibly and successfully.

At the Butterworth smelter, we have been continuously upgrading our waste gas handling system to ensure that we are always ahead of the performance benchmark we set for ourselves. This also applies to our slag cooling process where we added a second Air Pollution Control (APC) unit in 2014. Through these efforts, we wish to demonstrate that it is possible to operate a large tin smelter right in the heart of a town by using the right technology with a strong commitment to see it through.

Furthermore, as a large consumer of energy, we have instituted various initiatives to optimize the use of fuel and electricity in our smelting plant. We have engaged an energy saving specialist to guide us through various schemes with an objective to reduce consumption.

At RHT, the main environmental challenge is to ensure that excess water exiting the mining leases meets with regulatory standards. This was largely achieved by recycling of process water in the tailing ponds, and restricting the discharge of mine effluent into the surrounding rivers. Seepages from the tailing retention areas and surface runoff from the waste dumps are treated at the seepage points of tailing bunds and in the streams.

The collaboration project between RHT and the Forest Research Institute of Malaysia (FRIM) on experimental reforestation of disturbed mining land was 3.5 years old at year-end 2014. The frontier Acacia Mangium trees planted at both the 2.3-hectare waste dump site and 1.3-hectare tailing area showed satisfactory growth. Some of the Acacia Mangium trees at the tailing area 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.

A new nursery established within the mining lease area was successful in propagating plants for use in the many landscaping works in the mine property and the planted plants have created a greener working environment. An old small mine pit adjacent to the nursery has been turned into a pond for rearing fishes mainly of species tilapia and catfish.

During 2014, the Group contributed RM35.8 million in the form of government taxes and royalties, incurred RM3.3 million in environmental management and rehabilitation programmes and RM1.1 million in other CSR programmes.

"MSC Group seeks to translate its CSR's rhetoric into solid development goals and actions to ensure that its business is profitable, beneficial and sustainable to all its stakeholders"

Conflict Free Smelter (CFS) Audit Report

Tin supply chain – Sourcing Responsibly and in Compliance with International Regulations and Best Practices

Malaysia Smelting Corporation Berhad ("MSC" or "the Company") subscribes to a sustainable operation in ensuring all its activities are carried out responsibly and with adherence & compliance to all inherent legal, social, environmental, governmental and international regulations and requirements in the countries in which it operates.

Sourcing of feed material for its Butterworth smelting facility is an integral part of its operation and concentrates from the Central Africa countries form a major critical supply source to the smelter. Democratic Republic of Congo (DRC) is a major tin producing country in the region and faces conflict issues which led to the imposition of legal regulations, guidelines and compliance standards from the U.S. State Department, United Nations, OECD and EU to ensure that the supply source from DRC and neighbouring countries flowing to the world markets are untainted with conflict.

MSC had steadily increased its presence in the region and had stayed engaged with all stakeholders and in particular with those who are involved in the ITRI Tin Supply Chain Initiative (iTSCi) and Conflict Free Smelter (CFS) programmes.

MSC's decision to stay engaged in the Central Africa tin supply chain led to a significant transformation on the ground following the introduction of the iTSCi programme to provide transparency, accountability and good governance for the sourcing of minerals from the region and along the entire supply chain from mine to smelter. iTSCi is a traceability due diligence system supporting mine agencies in Central African countries to manage the exploitation of their natural resources in ensuring the minerals mined and exported are conflict free.

> *MSC staff with mine workers of Sodex mines in Malemba Nkulu, Katanga Province.*

> *MSC staff congratulating Maniema Provincial Minister of Mines on the implementation of the iTSCi scheme in the DRC province.*

> *MSC staff carrying out its due diligence assessment of the ore trading market in Manono, Katanga province.*

> *MSC geologist investigating an artisanal tin producing site in the Katanga province.*

Conflict Free Smelter (CFS) Audit Report (Cont'd)

MSC's direct involvement and support has led to the iTSCi scheme expanding rapidly to cover more tin producing countries, provinces and regions and this has not only contributed directly to the various countries' economies but had ensured that the livelihood of the thousands of artisanal miners and their dependents are protected.

Under the CFS programme, which is developed by the global electronics industry, MSC has been certified a conflict free smelter since the inception of the programme. MSC has also been pivotal in encouraging more tin smelters worldwide to join the CFS programme to provide greater transparency on the flow of tin minerals from around the world to the smelting industry.

2014 Annual Due Diligence Report

MSC continued to source tin concentrates from DRC and Rwanda throughout 2014.

The Company's conflict mineral policy, which can be found on our website *(www.msmelt.com)* outlines our firm commitment to avoid the financing of conflict through the purchase of minerals in DRC and neighbouring countries. The conflict mineral policy was last updated in 2013.

MSC has set up a separate and focussed supply chain and compliance division to closely monitor and keep abreast with the latest developments on the ground. The Company is constantly looking for room for improvement and towards this end it has embarked on training of its staff on the various aspects of good supply chain management. Training covers topics such as CFSI audit protocol, procedures on intake of feed materials, commercial engagement and follow-up actions on OECD guidelines.

The Company has two (2) dedicated senior staff in our supply chain department. They are instrumental in making sure that all batches of feed materials flowing into the smelter from all over the world is conflict free. The importance of this function cannot be over-emphasized and it includes a comprehensive assessment of suppliers' backgrounds, documentation and transparency checks.

During the year, MSC continued to participate in the regular OECD led forum meetings on responsible sourcing of minerals and encourages other companies to become engaged in the process.

The bi-annual International Tin Conference was held in Penang in 2014 and MSC presented a paper on its engagement in Central Africa and with the iTSCi and CFS programmes to more than 300 industry participants.

> *MSC staff using the transport route from Luba to Kalimie, Katanga province.*

> *MSC CEO and resource team members visiting Rutongo tin mine in Rwanda*

> *MSC visit to Rwinkavu mine in Rwanda*

Conflict Free Smelter (CFS) Audit Report (Cont'd)

> *MSC staff participating with the Dutch-led Conflict Free Tin Initiative (CFTI) program members in their visit to the Nyabibwe mine, South Kivu.*

> *MSC staff participating in a panel session for responsible sourcing at the OECD/UN /ICGLR organized meeting in Kigali, Rwanda.*

> *One of MSC CSR activity - Distribution of 300,000 exercise books to schools in the Maniema Province, DRC*

> *Celebration of tagging launch at the mine in Kalima*

MSC is directly engaged with Intel, Apple and others, under the EICC umbrella, to ensure that minerals sourced from Central African countries are conflict free and to discourage disengagement by consumers and supply chain players alike from the region as it would, otherwise, severely affect the economies of these impoverished countries and the livelihood of the large artisanal community.

As a member of iTSCi, MSC can access information provided by the programme on minerals from DRC and Rwanda as well as those obtained from other public sources. It also derives information from its own discussion with suppliers and visits to the region. All MSC's direct suppliers of concentrates from the Central African countries are iTSCi registered members and are required by the scheme and smelting contract to perform due diligence and participate in the programme to ensure that its mineral exports are conflict free.

African tin concentrates received by MSC under the iTSCi programme is subjected to scrutiny. The mines where the minerals are sourced are regularly visited and incidents recorded. Incidents are resolved via stakeholder committees in which our suppliers participate. Minerals sourced by MSC come from several hundred artisanal mining locations and the names of these locations are made available to CFS auditors.

MSC is currently a CFS compliant smelter and the next annual audit is scheduled for May 2015.

MSC's staff, as required under the various programmes, visited the Central African tin producing countries 3 times in 2014 to conduct their own due diligence activity. During the year, various security breaches at the mining locations were promptly advised by iTSCi to the supply chain players including the smelter and appropriate actions will be taken by iTSCi along the supply chain to address such breaches. In the majority of these cases the risks are mainly administrative in nature and relate to the misunderstanding on the need for full documentation or gaps, although some insecurity has been noted in Katanga. These issues are generally addressed by the iTSCi programme via system improvement. Information is available on the iTSCi webpages on incidents occurring in each area, as well as in the general biannual field reports.

The photo images captured some of the defining moments of MSC's engagement in central Africa. The company will remain committed in its African agenda to ensure the continuous flow of conflict free tin mineral out of the country. This will require constant engagement with various local and province level government agencies.

Statement on Corporate Governance

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

The Board upholds the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2012 (the MCCG 2012 or the Code). This statement sets out how the Company has applied the 8 Principles of the MCCG 2012 during the financial year within Malaysia Smelting Corporation Berhad (the Company) and its subsidiaries (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 its subsidiaries 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 Finance and Budget Committee, Audit Committee, Nominating Committee and Remuneration 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, 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 salient features of the Board Charter can be found at the Company's website at www.msmelt.com.

Code of Ethics and Whistle-blowing Policy

The Group's Code of Ethics continues to set out the standards of ethics and conduct expected from its Directors and employees to enhance the standards of corporate governance and corporate behaviour. The Code of Ethics covers all aspects of the Group's business which include, amongst others, confidentiality of information, dealings in securities, conflict of interest, gifts, bribes and dishonest conducts.

The Company had 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 of the Group. Whistle-blowing reports are addressed to the Designated Officers of the Company, its Group Chief Operating Officer or the Chairman of the Audit Committee 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.

Statement on Corporate Governance (Cont'd)

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 made available on the Company's website at www.msmelt.com.

Sustainability of Business

The Board is mindful of the importance of business sustainability and has incorporated the Corporate Sustainability Policy into its corporate strategy, considering its impacts on environmental, social and governance aspects. Additionally, the Company's activities on corporate social responsibilities are disclosed on pages 28 to 29 of this Annual Report.

Supply of, and access to, Information

The Board has full and independent access to Management, the Company Secretary, the Internal Auditors, the External 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. Board and Board Committee papers are circulated at least seven (7) days prior to the meetings to allow the Board members adequate time for making informed decisions and effective discharge of Board's responsibilities.

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD

As at the date of this Statement, the Board comprises seven (7) members, all Non-Executive Directors, four (4) of whom are Independent. This composition fulfills the requirements set out under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa's Main Market Listing Requirements), which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out on pages 12 to 14 of this Annual Report.

Statement on Corporate Governance (Cont'd)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

Nominating Committee

Selection and Assessment of Directors

During the financial year under review, the members of the Nominating Committee, which comprise wholly of Non-Executive Directors, with a majority being Independent, are as follows:

Director	Number of meetings attended
Mr Chew Kwee San (Chairman of the Committee) *Non-Independent Non-Executive Director*	1of 1
En Razman Ariffin *Independent Non-Executive Director*	1 of 1
Dato' Ng Jui Sia *Independent Non-Executive Director* (Appointed as NC Member on 01.07.2014)	0 of 0
Mr Norman Ip Ka Cheung *Independent Non-Executive Director* (Ceased to be a member on 01.07.2014)	1 of 1

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.

Appointments 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' appointments as Independent Non-Executive Directors. The Nominating Committee has met with each of the newly appointed Directors during the financial year under review, in person prior to recommending their appointment to the Board.

Following the appointment of a new Director, 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. Two (2) women directors were appointed to the Board of the Company in 2014.

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.

Statement on Corporate Governance (Cont'd)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

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 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.

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, one (1) Committee meeting was held and attended by all its members during which the Nominating Committee reviewed and assessed the Board, committees and individual directors according to the assessment criteria set out above. In addition, where no nominating committee meeting was scheduled and there were matters for consideration of the Nominating Committee such as appointment of new directors and changes to Board committees, the Nominating Committee also considered and engaged in informal meetings, telephone/email discussions and their recommendations were subsequently reduced to circular resolutions of the Nominating Committee.

The performance evaluation was led by the Senior Independent Director who was supported by the Company Secretary. Directors individually completed a questionnaire regarding the effectiveness of the Board as a whole and their 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 2014 include the following:

	Date	Organiser	Title of the Programme
En Razman Ariffin	22 April 2014	Malaysian Institute of Corporate Governance	Annual Director Duties, Governance & Regulatory Updates Seminar 2014
	12 May 2014	International Tin Research Institute (ITRI)	Tin Investment Seminar
	13-16 May 2014	International Tin Research Institute (ITRI)	International Tin Conference 2014
	28 November 2014	International Tin Research Institute (ITRI)	Investing in Tin Seminar
	2-4 December 2014	Mines & Money	Mines & Money Conference
Mr Chew Kwee San	13-16 May 2014	International Tin Research Institute (ITRI)	International Tin Conference 2014
	24 July 2014	Singapore Institute of Directors (SID)	SID-IIA: 20 Questions Directors Should Ask About Internal Audit
	3 September 2014	Singapore Institute of Directors (SID)	SID Directors' Conference 2014: Towards The New Capitalism
	14 November 2014	Singapore Institute of Directors (SID)	Key Legislative Changes to the Companies Act in 2014

Statement on Corporate Governance (Cont'd)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

Directors' Training (cont'd)

	Date	Organiser	Title of the Programme
Dato' Seri Mohd Ajib Anuar	3-6 February 2014	Mining Indaba Cape Town	Mining Indaba – 2014 (Africa) Cape Town
	13-16 May 2014	International Tin Research Institute (ITRI)	International Tin Conference 2014
	29 October 2014	APMC/AFMA	10th Asia Pacific Mining Conference Jakarta
Dato' Ng Jui Sia	January 2014	Institute of Southeast Asian Studies (ISEAS)	Regional Outlook Forum 2014, Vietnam
	14-15 May 2014	International Tin Research Institute (ITRI)	International Tin Conference 2014
	September 2014	FNHB	GST Implementation
Mr Chew Hoy Ping	18 March 2014	Bursatra Sdn Bhd	Advocacy Session on Corporate Disclosure for Directors of Listed Issuers
	24 June 2014	MAICSA	GST Overview Seminar
	14 July 2014	MIA	Comparative Analysis of PERS, MPERS & MFRS Frameworks
	6-7 August 2014	Bursatra Sdn Bhd	MAP
	13 August 2014	Bursatra Sdn Bhd	Enhancing Internal Audit Practice
Ms Thai Kum Foon	13 March 2014	Ernst & Young	Budget Seminar 2014
	16 April 2014	Standard & Chartered Bank	Asian Trade – Dissecting the Mosaic
	21 May 2014	CPA Australia & Ernst & Young	Better Manage Your Risk Before A Crisis Hits
	27-28 August 2014	Bursatra Sdn Bhd	Mandatory Accreditation Programme
	2 September 2014	KPMG	Revised Guidebook for Audit Committees in Singapore: What Every AC Member Needs to Know
	10 October 2014	Institute of Singapore Chartered Accountant	3rd ICSA-UOB Quarterly Economic Updates for CFOs-RMB Internationalisation
	30 October 2014	Private Equity International	Private Fund CFOs & COOs Seminar Series
	18 November 2014	KPMG	SID Corporate Governance Roundup, Launch of KPMG Directors' Toolkit
	19 November 2014	KPMG	ACCA-KPMG Report 2014: Balancing Corporate Governance Rules and Flexibility

Statement on Corporate Governance (Cont'd)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

Directors' Training (cont'd)

	Date	Organiser	Title of the Programme
Ms Gee Siew Yoong	11 June 2014	Telekom Malaysia Berhad	Strategic Retreat cum Board Meeting: CIMB's Customer Experience Journey
	18 June 2014	MINDA	MINDA Breakfast Talk: Building Excellent Ethical, and Enduring Organisation
	11-12 August 2014	MINDA	Corporate Directors Advanced Programme (CDAP) 2014: Ethics In Business
	22 September 2014	SapuraKencana & PWC	GST Training
	23 September 2014	SapuraKencana	Site Visit to Sapura Aero Hangar & Airport Engineering Services
	25 September 2014	SapuraKencana	Site Visit to Kenchana HL Lumut Fabrication Yard
	25 September 2014	SapuraKencana	Remote Operations Vehicle (ROV) Briefing
	1 October 2014	SapuraKencana	GST & Income Tax Briefing

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 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 and as at the date of this statement, the Remuneration Committee comprised the following members:

Director	Number of meetings attended
En Razman Ariffin (Chairman) *Independent Non-Executive Director* (Assumed Chairmanship on 01.07.2014)	3 of 3
Mr Chew Kwee San *Non-Independent Non-Executive Director* (Appointed as Remuneration Committee member on 01.07.2014)	1 of 1
Dato' Seri Mohd Ajib Anuar *Non-Independent Non-Executive Director*	3 of 3
Ms Gee Siew Yoong *Independent Non-Executive Director* (Appointed as Remuneration Committee Member on 17.03.2015)	0 of 0
Mr Norman Ip Ka Cheung *Independent Non-Executive Director* (Ceased to be Chairman and member on 01.07.2014)	2 of 2

Statement on Corporate Governance (Cont'd)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

Remuneration Committee – Directors' Remuneration (cont'd)

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 memberships 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 fees of Directors of the Company is tabled for shareholders' approval at the Company's Annual General Meeting.

Details of remuneration of Directors of the Company from the Group for the financial year ended 31 December 2014 are as follows:

	Non-Executive RM'000
Fees	465*
Basic salary and other emoluments	932**
Benefits-in-kind	–
Total	1,397

* Directors' fees earned in 2013 and paid out in 2014

** Consists of Director's advisory fee and leave pay paid to YBhg Dato' Seri Mohd Ajib Anuar who was an Executive Director in 2013 but a Non-Executive Director in 2014

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

	Non-Executive
RM 50,000 and below	–
RM50,001 – RM100,000	3
RM100,001 – RM150,000	2
Above RM150,001	1
Total	6

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

There is clear division of responsibilities between the Chairman and the Chief Executive Officer to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making.

Chairman

En Razman Ariffin, an Independent Non-Executive director, is the Chairman and he 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.

Chief Executive Officer

Mr Chua Cheong Yong has assumed the role of Chief Executive Officer (CEO) with effect from 1 January 2014. The CEO is tasked to manage the business and operations of the Company and to implement the Group's strategic plans, policies and decisions adopted by the Board. The CEO is also tasked with ensuring that whilst the ultimate objective is maximizing total shareholders' return, social and environmental factors are not neglected and also developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts as well as employees and providing effective leadership to the Group organization.

Statement on Corporate Governance (Cont'd)

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)

Independent Non-Executive Directors

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.

The Board recognises the importance of independence and objectivity in the decision making process and is required by the Directors' independence policy to undertake an assessment of its independent directors annually. The tenure of an independent director is also capped at a cumulative term of nine (9) years where the director may continue to serve the Board in the capacity of a non-independent director or to obtain shareholders' approval for retention as an independent director.

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 were developed by the Nominating Committee and adapted from definitions from Paragraph 1.01 of Bursa's Main Market Listing Requirements, the Companies Act 1965 and the MCCG 2012.

In consideration of the results of the annual assessment performed, the Nomination Committee and the Board are of the view that En Razman Ariffin who has served the Board for more than nine (9) years prior the Annual General Meeting (AGM) to be held in year 2015 has remained objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees.

The length of his service on the Board does not in any way interfere with his exercise of independent judgment and ability to act in the best interests of the Company. In view thereof, the Board recommends and supports the retention of En Razman Ariffin as Independent Non-Executive Director of the Company, which is be tabled for shareholders' approval at the forthcoming 36th AGM of the Company.

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 schedules 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 attention 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 as and when they accept appointments and requiring all Directors to attend at least half of the meetings held for the financial year under review.

Statement on Corporate Governance (Cont'd)

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

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

Directors	Number of meetings attended
En Razman Ariffin (Chairman of the Board)	7 of 7
Mr Chew Kwee San (Deputy Chairman of the Board)	7 of 7
Dato' Seri Mohd Ajib Anuar	7 of 7
Dato' Ng Jui Sia (Senior Independent Director)	7 of 7
Mr Chew Hoy Ping (Appointed on 6 May 2014)	4 of 4
Ms Thai Kum Foon (Appointed on 31 May 2014)	3 of 3
Ms Gee Siew Yoong (Appointed on 18 September 2014)	2 of 2
Mr Mark Christopher Greaves (Resigned on 31 May 2014)	4 of 4
Mr Norman Ip Ka Cheung (Resigned on 1July 2014)	4 of 4

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

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects. 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 Statement by the Chairman and review of operations in the Annual Report.

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 in its oversight of the Group's financial reporting process and the quality of its financial reporting. The Audit Committee, comprising wholly Non-Executive Directors, with a majority being Independent directors, ensures that the financial statements of the Group and Company comply with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The composition of the Committee, including its roles and responsibilities, are set out on pages 46 to 49 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 reports 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. 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 code of ethics on independence 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. It is also a mandatory requirement for our external auditors, Messrs Ernst & Young to rotate the audit engagement partner as well as its other key audit partners from their audit of MSC and its subsidiaries once in every 5 years as set out in the Malaysian Institute of Accountants' By- Laws (on Professional Ethics, Conduct and Practice).

In this regard, the Audit Committee had assessed the independence of Messrs Ernst & Young as external auditors of the Company as well as reviewed the level of non-audit services to be rendered by Messrs Ernst & Young to the Company for the financial year ended 31 December 2014. Having satisfied itself with their technical competency, audit independence and fulfillment of criteria as set out in the policy, the Audit Committee will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

Statement on Corporate Governance (Cont'd)

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 on-going 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 50 to 52 this Annual Report.

In line with the MCCG 2012 and Bursa's Main Market Listing Requirements, the Board has 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 are provided in the Statement on Risk Management and Internal Control Statement of the Group set out on pages 50 to 52 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 market 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 internal corporate disclosure policies and procedures not only to comply with the disclosure requirements as stipulated in the Bursa's Main Market Listing Requirements, but also in setting out the protocols for disclosing material information to shareholders and stakeholders.

To ensure thorough public dissemination, the Company has leveraged on information technology including making announcements via Bursa Malaysia and Singapore Exchange 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 35th AGM were put to vote by show of hands and were duly passed. The outcome of the AGM was announced to Bursa on the same meeting day. 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 Main Market 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, AGM 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 18 March 2015.

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.

Audit Committee (Cont'd)

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.

Audit Committee (Cont'd)

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 2014 and as at the date of this report are:

Composition of Audit Committee	
Mr Chew Hoy Ping	Chairman, Independent Non-Executive Director (appointed as member of the Committee on 6 May 2014 and re-designated as Chairman on 1 July 2014)
Dato' Ng Jui Sia	Senior Independent Non-Executive Director
Ms Thai Kum Foon	Non-Independent Non- Executive Director (appointed as member of the Committee on 31 May 2014 and ceased to be a member on 17 March 2015)
Ms Gee Siew Yoong	Independent Non-Executive Director (appointed as a member of the Committee on 17 March 2015)
Ms Maggie Yeo Sock Koon	Non-Independent Non-Executive Director (appointed as a member of the Committee on 17 March 2015)
En Razman Ariffin	Independent Non-Executive Director (ceased to be the Chairman and member of the Committee on 1 July 2014)
Mr Norman Ip Ka Cheung	Independent Non-Executive Director (ceased to be member of the Committee on 1 July 2014)

Each member of the Committee is financially literate and has extensive years of relevant industry experience and a brief profile of each of the current Directors is presented on pages 12 to 14 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 43 to 45 of this Annual Report.

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

Audit Committee Report (Cont'd)

Meetings

The Committee convened five (5) meetings during the financial year ended 31 December 2014. The details of attendance of each member at the Audit Committee meetings are as follows:

Director	Number of meetings attended
Mr Chew Hoy Ping	3 of 3
Dato' Ng Jui Sia	4 of 5
Ms Thai Kum Foon	2 of 2
En Razman Ariffin	3 of 3
Mr Norman Ip Ka Cheung	3 of 3

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 Officers 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 pages 36 to 38 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 Directors' Report and the audited financial statements of the Company and Group prior to submission to the Board for consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965. Any significant issues resulting from the audit of the financial statements by the External Auditors were deliberated; and

- Met with the external auditors twice (2 times) during the financial year, without the presence of 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;

Audit Committee Report (Cont'd)

Summary of activities during the financial year under review (cont'd)

- 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 RM10,000 were paid to the External Auditors during the financial year for the provision of services in respect of the review of the Company's Statement on Risk Management and Internal Control;

- Reviewed the quarterly financial results against the budget and the results of the preceding year;

- 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 responses and discussed with Management and ensure appropriate actions were taken to improve the system of internal controls based on improvement opportunities identified in the internal audit reports;

- Reviewed the adequacy and effectiveness of the governance and risk management processes as well as the internal control system through risk assessment reports from Group Risk Management Steering Committee and the internal audit function. Significant risk issues were summarised and communicated to the Board for consideration and resolution;

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

- Reviewed the 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.

Audit Committee Report (Cont'd)

Internal Audit Function (cont'd)

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 2014 is RM925,400.

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 50 to 52 of this Annual Report.

Date: 18 March 2015

Statement on Risk Management and Internal Control

Introduction

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa's Main Market Listing Requirements) 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 Statement (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 2014.

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 (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 responsibilities at different levels, ie. 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;

Statement on Risk Management and Internal Control
(Cont'd)

Risk Management (cont'd)

- 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.

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

Internal Audit Function

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

The Internal Audit function independently reviews the risk identification, evaluation and control processes implemented by Management, and reports to the Audit Committee on a quarterly basis the outcome thereof. The Internal Audit function also reviews the internal control systems within the Group based on a detailed annual internal audit plan approved by the Audit Committee. Its audit strategies and plans 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 is guided by the International Professional Practices Framework issued by the Institute of Internal Auditors.

Further details of activities undertaken by the Internal Audit function are set out in the Audit Committee Report on pages 46 to 49 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

Statement on Risk Management and Internal Control
(Cont'd)

Internal Control (cont'd)

(d) Insurance

- The Audit Committee reviews the Group's quarterly financial performance, together with Management, which is subsequently reported to the Board.
- 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.

Commmentary 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 its financial, operational and compliance risks and has 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 remain committed to strengthening the Group's control environment and processes. This is a continuous and on-going process and appropriate action plans will be put in place to enhance the Group's system of internal control as and when necessary.

Pursuant to Paragraph 15.23 of the Bursa's 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 2014 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 systems.

Date: 18 March 2015

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

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	22,660	53,643
Loss from discontinued operations, net of tax	(32,630)	–
(Loss)/Profit net of tax	**(9,970)**	**53,643**
(Loss)/Profit attributable to:		
Owners of the Company	(9,865)	53,643
Non-controlling interests	(105)	–
	(9,970)	**53,643**

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 11 to the financial statements.

Dividends

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2014.

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' Report (Cont'd)

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:

En. Razman Ariffin	(Appointed as Chairman on 1 July 2014)
Mr. Chew Kwee San	(Appointed as Deputy Chairman on 1 July 2014)
Dato' Seri Mohd. Ajib Anuar**	
Dato' Ng Jui Sia*	
Mr. Chew Hoy Ping*	(Appointed on 6 May 2014)
Ms. Thai Kum Foon	(Appointed on 31 May 2014 and resigned on 17 March 2015)
Ms. Gee Siew Yoong*	(Appointed on 18 September 2014)
Ms. Maggie Yeo Sock Koon*	(Appointed on 17 March 2015)
Mr. Mark Christopher Greaves	(Resigned on 31 May 2014)
Mr. Norman Ip Ka Cheung	(Resigned on 1 July 2014)

* 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

Dato' Seri Mohd. Ajib Anuar who retires in accordance with Article 101 of the Articles of Association of the Company has notified the Company that he does not wish to seek re-election and accordingly will retire at the conclusion of the forthcoming Annual General Meeting.

In accordance with Article 106 of the Articles of Association of the Company, Mr. Chew Hoy Ping, Ms. Gee Siew Yoong and Ms. Maggie Yeo Sock Koon retire 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' Report (Cont'd)

Directors' interests

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

	Number of ordinary shares of RM1 each			
	1 January 2014	**Bought**	**Sold**	**31 December 2014**
The Company				
Direct interest				
En. Razman Ariffin	67,000	–	–	67,000
Dato' Seri Mohd. Ajib Anuar	809,000	–	–	809,000
Indirect interest				
Mr. Chew Kwee San	460,000	–	(460,000)*	–
Dato' Seri Mohd. Ajib Anuar	200,000	–	–	200,000

* Arising from corporate restructuring exercise in Tecity Pte Ltd

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

Other statutory information

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

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

Directors' Report (Cont'd)

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.

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 18 March 2015.

Razman Ariffin **Dato' Seri Mohd. Ajib Anuar**

Statement by Directors

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

We, Razman Ariffin 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 61 to 181 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 2014 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 18 March 2015.

Razman Ariffin

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 61 to 182 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 Seberang Jaya in the State of Penang
on 18 March 2015

Yap Fook Ping

Before me,

Commissioner for Oaths

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 2014 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 61 to 181.

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 2014 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.

Independent Auditors' Report (Cont'd)

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

Other reporting responsibilities

The supplementary information set out in Note 45 on page 182 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
18 March 2015

Income Statements
for the financial year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Continuing operations					
Revenue					
Tin mining and smelting revenue		**1,915,179**	1,581,980	**1,915,179**	1,581,975
Other items of income					
Dividend income	5	**–**	–	**40,233**	49,948
Interest income	6	**7,156**	8,546	**6,453**	7,317
Other (loss)/income	7	**(7,161)**	5,614	**9,908**	2,205
Expenses					
Costs of tin mining and smelting		**(1,768,676)**	(1,418,323)	**(1,823,596)**	(1,474,276)
Employee benefits expense	8	**(51,258)**	(45,208)	**(33,911)**	(29,787)
Depreciation expense	4	**(6,143)**	(5,265)	**(2,760)**	(2,353)
Amortisation expense	4	**(1,812)**	(1,310)	**(2)**	–
Impairment losses	11	**(9,400)**	(8,049)	**(14,351)**	(28,356)
Finance costs	9	**(14,652)**	(12,995)	**(14,302)**	(12,948)
Other expenses	10	**(16,246)**	(14,648)	**(15,279)**	(37,513)
Total expenses		**(1,868,187)**	(1,505,798)	**(1,904,201)**	(1,585,233)
Share of results of associates and joint ventures		**(1,995)**	(19,723)	**–**	–
Profit before tax from continuing operations	4	**44,992**	70,619	**67,572**	56,212
Income tax expense	12	**(22,332)**	(22,800)	**(13,929)**	(12,765)
Profit from continuing operations, net of tax		**22,660**	47,819	**53,643**	43,447
Discontinued operations					
Loss from discontinued operations, net of tax					
– Subsidiary	18(b)	**(6,842)**	(4,274)	**–**	–
– Disposal group classified as held for sale	22	**(25,788)**	(32,570)	**–**	–
		(32,630)	(36,844)	**–**	–
(Loss)/Profit net of tax		**(9,970)**	10,975	**53,643**	43,447

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

Income Statements (Cont'd)
for the financial year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Attributable to:					
Owners of the Company		**(9,865)**	16,783	**53,643**	43,447
Non-controlling interests		**(105)**	(5,808)	**–**	–
		(9,970)	10,975	**53,643**	43,447

	Note	Group 2014	Group 2013
Earnings/(Loss) per share attributable to owners of the Company (sen per share)			
Basic/Diluted, for profit from continuing operations	13	**22.6**	47.8
Basic/Diluted, for loss from discontinued operations	13	**(32.5)**	(31.0)
Basic/Diluted,for (loss)/profit net of tax		**(9.9)**	16.8

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 2014

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit net of tax	**(9,970)**	10,975	**53,643**	43,447
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Revaluation surplus on property, plant and equipment, net	**3,743**	1,300	**783**	340
Share of a joint venture's loss on remeasurement of retirement benefits obligation	**(484)**	–	**–**	–
	3,259	1,300	**783**	340
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	**13,501**	(29,968)	**–**	–
Realisation of foreign currency translation reserves to profit or loss upon sale of a subsidiary	**3,705**	–	**–**	–
Realisation of foreign currency translation reserves to profit or loss upon sale of disposal group classified as held for sale	**4,158**	–	**–**	–
Cumulative fair value gain on available-for-sale investment securities	**598**	2,040	**598**	2,040
Net fair value changes on cash flow hedges	**(3,270)**	(1,278)	**(3,270)**	(1,318)
	18,692	(29,206)	**(2,672)**	722
Other comprehensive income for the year, net of tax	**21,951**	(27,906)	**(1,889)**	1,062
Total comprehensive income for the year	**11,981**	(16,931)	**51,754**	44,509
Total comprehensive income attributable to:				
Owners of the Company	**11,153**	(8,610)	**51,754**	44,509
Non-controlling interests	**828**	(8,321)	**–**	–
Total comprehensive income for the year	**11,981**	(16,931)	**51,754**	44,509

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

Statements of Financial Position
as at 31 December 2014

		Group		Company	
	Note	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	**88,465**	82,521	**30,671**	25,236
Prepaid land lease payments	16	**839**	1,214	**–**	–
Base inventory		**3,000**	3,000	**3,000**	3,000
Intangible assets	17	**8,868**	8,157	**213**	–
Investment in subsidiaries	18	**–**	–	**148,681**	148,681
Investment in associates and joint ventures	19	**71,318**	107,426	**47,877**	56,168
Investment securities	20	**7,792**	7,098	**7,792**	7,098
Other non-current assets	21	**11,458**	7,211	**–**	–
Other receivables	24	**5,982**	7,520	**5,982**	7,520
Deferred tax assets	33	**3,981**	4,669	**2,494**	2,944
		201,703	228,816	**246,710**	250,647
Current assets					
Inventories	23	**253,952**	275,574	**251,517**	272,833
Trade and other receivables	24	**104,003**	69,432	**120,685**	81,756
Other current assets	25	**3,190**	4,762	**3,128**	2,651
Tax recoverable		**3,528**	3	**2,430**	–
Cash, bank balances and deposits	26	**118,311**	104,347	**74,390**	77,124
		482,984	454,118	**452,150**	434,364
Assets of disposal group classified as held for sale	22	**–**	125,679	**–**	–
		482,984	579,797	**452,150**	434,364
Total assets		**684,687**	808,613	**698,860**	685,011

Statements of Financial Position (Cont'd)

as at 31 December 2014

		Group		Company	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
	Note	RM'000	RM'000	RM'000	RM'000
Equity and liabilities					
Current liabilities					
Provisions	27	**10,505**	54	**10,505**	–
Borrowings	28	**335,921**	344,053	**335,921**	344,053
Trade and other payables	29	**81,225**	98,649	**77,368**	99,325
Current tax payable		**25**	3,501	**–**	2,603
Derivative financial instruments	34	**5,661**	2,329	**5,661**	2,329
		433,337	448,586	**429,455**	448,310
Liabilities directly associated with disposal group classified as held for sale	22	**–**	143,046	**–**	–
		433,337	591,632	**429,455**	448,310
Net current assets/(liabilities)		**49,647**	(11,835)	**22,695**	(13,946)
Non-current liabilities					
Provisions	27	**10,350**	10,597	**–**	–
Deferred tax liabilities	33	**1,092**	992	**–**	–
Borrowings	28	**5,208**	24,623	**5,208**	24,623
Derivative financial instruments	34	**478**	113	**478**	113
		17,128	36,325	**5,686**	24,736
Total liabilities		**450,465**	627,957	**435,141**	473,046
Net assets		**234,222**	180,656	**263,719**	211,965
Equity attributable to owners of the Company					
Share capital	30	**100,000**	100,000	**100,000**	100,000
Share premium	30	**76,372**	76,372	**74,666**	74,666
Other reserves	31	**21,603**	7,263	**4,504**	6,393
Retained earnings	32	**35,946**	46,102	**84,549**	30,906
		233,921	229,737	**263,719**	211,965
Reserve of disposal group classified as held for sale	22	**–**	(6,969)	**–**	–
		233,921	222,768	**263,719**	211,965
Non-controlling interests		**301**	(42,112)	**–**	–
Total equity		**234,222**	180,656	**263,719**	211,965
Total equity and liabilities		**684,687**	808,613	**698,860**	685,011

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 2014

			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 ("NCI") RM'000
Group												
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)
Profit/(Loss) for the year		10,975	16,783	–	–	–	–	–	–	–	16,783	(5,808)
Other comprehensive income		(27,906)	(25,393)	–	–	1,300	(27,455)	2,040	(1,278)	–	–	(2,513)
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 2014

			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 ("NCI") RM'000
Group												
At 1 January 2014		180,656	222,768	100,000	76,372	21,116	(14,198)	1,661	(1,316)	(6,969)	46,102	(42,112)
Loss for the year		(9,970)	(9,865)	–	–	–	–	–	–	–	(9,865)	(105)
Other comprehensive income		21,951	21,018	–	–	3,743	16,273	598	(3,270)	4,158	(484)	933
Total comprehensive Income		11,981	11,153	–	–	3,743	16,273	598	(3,270)	4,158	(10,349)	828
Acquisition of a subsidiary	18(a)	299	–	–	–	–	–	–	–	–	–	299
Reserve of disposal group classified as held for sale		–	–	–	–	–	(2,811)	–	–	2,811	–	–
Derecognition of NCI upon sale of disposal group classified as held for sale	22	41,286	–	–	–	–	–	–	–	–	–	41,286
Realisation of revaluation reserves upon sale of a subsidiary	18(b)	–	–	–	–	(193)	–	–	–	–	193	–
At 31 December 2014		234,222	233,921	100,000	76,372	24,666	(736)	2,259	(4,586)	–	35,946	301

Statements of Changes in Equity (Cont'd)

for the financial year ended 31 December 2014

				Non-distributable				Distributable
	Note	Total equity RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Hedging reserves RM'000	Retained earnings RM'000
Company								
At 1 January 2013		167,456	100,000	74,666	5,708	(379)	2	(12,541)
Profit for the year		43,447	–	–	–	–	–	43,447
Other comprehensive income		1,062	–	–	340	2,040	(1,318)	–
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
At 1 January 2014		**211,965**	**100,000**	**74,666**	**6,048**	**1,661**	**(1,316)**	**30,906**
Profit for the year		**53,643**	**–**	**–**	**–**	**–**	**–**	**53,643**
Other comprehensive income		**(1,889)**	**–**	**–**	**783**	**598**	**(3,270)**	**–**
Total comprehensive income		**51,754**	**–**	**–**	**783**	**598**	**(3,270)**	**53,643**
At 31 December 2014		**263,719**	**100,000**	**74,666**	**6,831**	**2,259**	**(4,586)**	**84,549**

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 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Operating activities					
Profit before tax from continuing operations		**44,992**	70,619	**67,572**	56,212
Loss before tax from discontinued operations:					
– Subsidiary	18(b)	**(6,842)**	(4,274)	**–**	–
– Disposal group classified as held for sale	22	**(25,788)**	(32,570)	**–**	–
		(32,630)	(36,844)	**–**	–
Profit before tax, total		**12,362**	33,775	**67,572**	56,212
Adjustments for:					
Amortisation of intangible assets	4	**940**	896	**2**	–
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure	4	**839**	384	**–**	–
Amortisation of prepaid land lease payments	4	**42**	58	**–**	–
Depreciation	4	**6,218**	6,902	**2,760**	2,353
Dividend income received from a subsidiary	5	**–**	–	**(10,890)**	(32,670)
Dividend income received from an associate and a joint venture	5	**–**	–	**(29,343)**	(17,278)
Fair value changes in ineffective portion of derivatives designated as hedging instruments in cash flow hedge	7,18(b)	**(481)**	776	**(481)**	835
Fair value changes in interest rate swap	7	**(103)**	(210)	**(103)**	(210)
Gain on disposal of property, plant and equipment	7	**(3)**	(10)	**–**	(10)
Impairment of receivables	24	**6,164**	19,595	**7,024**	16,970
Provision for financial guarantee	10	**9,635**	–	**9,635**	–
Impairment/(Reversal of impairment) of investment in an associate and a joint venture, net	11	**3,143**	(6,000)	**7,234**	–
Impairment of investment securities	11	**93**	12,876	**93**	12,876
Interest expense	9,22	**14,287**	13,528	**14,287**	12,933
Interest income	6,22	**(7,156)**	(8,569)	**(6,453)**	(7,317)
Loss on sale of a subsidiary	18(b)	**3,504**	–	**–**	–
Loss/(Gain) on sale of disposal group classified as held for sale	22	**25,343**	–	**(3,236)**	–
Loss on disposal of an investment security	10	**–**	41	**–**	41

Statements of Cash Flows (Cont'd)
for the financial year ended 31 December 2014

		Group		Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Operating activities (cont'd)					
Project expenses written off		**–**	2,426	**–**	
Property, plant and equipment written off	10	**4**	623	**–**	1
(Reversal of)/Provision for severance benefits, net	22,27	**(344)**	1,232	**–**	–
Revaluation deficit on property	10	**28**	1	**–**	–
Reversal of interest charged to a subsidiary	10	**–**	–	**–**	24,494
Reversal of interest charged to a joint venture	10	**692**	–	**692**	–
Reversal of impairment of receivables	11	**–**	(656)	**–**	(1,490)
Share of results of associates and joint ventures		**1,995**	19,723	**–**	–
Unrealised loss/(gain) on exchange		**6,183**	(773)	**3,005**	6,049
Unwinding of discount on provision	9	**350**	157	**–**	–
Waiver on advances received from a joint venture	7	**–**	–	**(8,291)**	(9,817)
Write down of inventories	4	**3,200**	7,404	**3,200**	–
Operating cash flows before changes in working capital		**86,935**	104,179	**56,707**	63,972
Decrease/(Increase) in inventories		**21,152**	(111,994)	**18,116**	(115,330)
(Increase)/Decrease in receivables		**(39,185)**	99,963	**(42,564)**	103,245
Decrease/(Increase) in amounts due from subsidiaries		**–**	–	**488**	(87,865)
Decrease in amounts due from associates and joint ventures		**48**	2,262	**48**	2,262
Increase/(Decrease) in payables		**1,269**	(5,788)	**(1,701)**	(21,118)
(Decrease)/Increase in amount due to holding company		**(43)**	27	**(43)**	27
(Decrease)/Increase in amount due to subsidiaries		**–**	–	**(11,652)**	16,916
Increase in amount due to a joint venture		**–**	9,113	**–**	9,113
Cash generated from/(used in) operations		**70,176**	97,762	**19,399**	(28,778)
Income tax paid		**(28,108)**	(26,351)	**(17,937)**	(17,306)
Interest paid		**(14,671)**	(13,162)	**(14,671)**	(12,551)
Severance benefits paid		**(5,910)**	(1,164)	**–**	–
Net cash generated from/(used in) operating activities		**21,487**	57,085	**(13,209)**	(58,635)

Statements of Cash Flows (Cont'd)

for the financial year ended 31 December 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
Investing activities					
Net cash outflow on acquisition of a subsidiary	18(a)	**(478)**	–	**–**	–
Net cash outflow on sale of a subsidiary	18(b)	**(22)**	–	**–**	–
Net cash inflow on sale of disposal group classified as held for sale	22	**558**	–	**1,309**	–
Interest received		**7,019**	7,550	**5,811**	5,768
Net dividend received from an associate and a joint venture		**29,343**	17,271	**29,343**	17,271
Net dividend received from a subsidiary		**–**	–	**10,890**	32,670
Payment for deferred mine exploration and evaluation expenditure and deferred mine development expenditure	21	**(5,049)**	(1,144)	**–**	–
Payment for mine closure deposit		**–**	(30,089)	**–**	–
Payment for mining rights	17	**–**	(378)	**–**	–
Payment for corporate club memberships	17	**(215)**	–	**(215)**	
Payment for prepaid land lease payments	16	**(200)**	(60)	**–**	–
Proceeds from disposal of an investment security		**–**	3	**–**	3
Proceeds from disposal of property, plant and equipment		**3**	10	**–**	10
Purchase of property, plant and equipment		**(9,041)**	(6,439)	**(7,165)**	(4,685)
Purchase of an investment security		**–**	(3,933)	**–**	(3,933)
Net cash generated from/(used in) investing activities		**21,918**	(17,209)	**39,973**	47,104
Financing activities					
Repayment of short term trade financing and other borrowings		**(9,859)**	(99,479)	**(9,859)**	(46,949)
Drawdown of term loan		**–**	55,581	**–**	55,581
Repayment of term loans		**(19,731)**	(27,753)	**(19,731)**	(13,904)
Net cash used in financing activities		**(29,590)**	(71,651)	**(29,590)**	(5,272)
Net increase/(decrease) in cash and cash equivalents		**13,815**	(31,775)	**(2,826)**	(16,803)
Effect of changes in foreign exchange rates		**46**	50	**46**	77
Cash and cash equivalents as at 1 January		**103,075**	134,800	**75,795**	92,521
Cash and cash equivalents as at 31 December	26	**116,936**	103,075	**73,015**	75,795

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

Notes to the Financial Statements

for the financial year ended 31 December 2014

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 incorporated in Singapore and 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 private limited liability 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 2014, the Group and the Company have adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

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

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 as discussed below:

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

2.2 Changes in accounting policies (cont'd)

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realisation and settlement". These amendments are to be applied retrospectively.

These amendments have no impact on the Group and the Company, since none of the entities in the Group and the Company have any offsetting arrangements.

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's and the Company's financial statements.

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

These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness. Retrospective application is required.

These amendments have no impact on the Group and the Company as the Group and the Company have not novated their derivatives during the current period. However, these amendments would be considered for future novation.

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 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
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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

Description	***Effective for annual periods beginning on or after***
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2017
MFRS 9: Financial Instruments	1 January 2018

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:

<u>Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</u>

The amendments clarify that:
- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

<u>Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations</u>

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Group and the Company are currently assessing the impact of Amendments to MFRS 11.

<u>Amendments to MFRS 101: Disclosure Initiatives</u>

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:
- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Group and the Company are currently assessing the impact of Amendments to MFRS 101.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

These amendments are not expected to have any impact to the Group and the Company as the Group and the Company have not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Company is currently assessing the impact of Amendments to MFRS 127.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Group and the Company are currently assessing the impact of MFRS 15.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments projects and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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

Annual Improvements to MFRSs 2010-2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group and the Company are currently assessing the impact of Annual Improvements to MFRSs 2010-2012 Cycle.

Standards	Descriptions
MFRS 2 Share-based Payment	This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including: • A performance condition must contain a service condition; • A performance target must be met while the counterparty is rendering service; • A performance target may relate to the operations or activities of an entity, or those of another entity in the same group; • A performance condition may be a market or non-market condition; and • If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
MFRS 3 Business Combinations	The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.
MFRS 8 Operating Segments	The amendments are to be applied retrospectively and clarify that: • an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and • the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.
MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets	The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
MFRS 124 Related Party Disclosures	The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

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

Annual Improvements to MFRSs 2011-2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group and the Company are currently assessing the impact of Annual Improvements to MFRSs 2011-2013 Cycle.

Standards	Descriptions
MFRS 3 Business Combinations	The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively.
MFRS 13 Fair Value Measurement	The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).
MFRS 140 Investment Property	The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether: • the property meets the definition of investment property in terms of MFRS 140; and • the transaction meets the definition of a business combination under MFRS 3, to determine if the transaction is a purchase of an asset or is a business combination.

Annual Improvements to MFRSs 2012-2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group and the Company are currently assessing the impact of Annual Improvements to MFRSs 2012-2014 Cycle.

Standards	Descriptions
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	The amendment to MFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.
MFRS 7 Financial Instruments: Disclosures	The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required. In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
MFRS 119 Employee Benefits	The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

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

Annual Improvements to MFRSs 2012-2014 Cycle (cont'd)

Standards	Descriptions
MFRS 134 Interim Financial Reporting	MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

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.

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.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

2.4 Basis of consolidation (cont'd)

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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 equals 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 acquired separately are measured on initial recognition at cost. Following initial recognition, club memberships are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Club memberships are amortised on a straight-line basis over the finite useful life.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

2.8 Mine exploration, evaluation and development expenditure

a) Deferred mine exploration and evaluation expenditure

Deferred mine exploration and evaluation expenditure is stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised.

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 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

2.9 Mine restoration, rehabilitation and 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.

2.10 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.

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.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

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.

2.12 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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. 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 or interest income 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 assets

Available-for-sale financial assets 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 assets are subsequently measured at fair value with unrealised gains or losses recognised in 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 assets 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 intention and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted when the financial assets meet the definition of held-to-maturity financial assets and the Group and the Company have ability and positive intention to hold the financial assets to maturity.

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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 debtor 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 write off is later recovered, the recovery is recorded in profit or loss.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

2.14 Impairment of financial assets (cont'd)

Available-for-sale financial assets

For available-for-sale financial assets, 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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, payables, 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 and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdraft, 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 incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit and loss are 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 a financial liability 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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 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 also compare the change in the fair value of each asset and liability with relevant external sources, where practical to determine whether the change is reasonable.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

2.21 Fair value measurement (cont'd)

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.

2.22 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group and the Company use derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts, to manage their foreign currency risks, interest rate risks and commodity price risks respectively. Such 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.

Hedge accounting will be discontinued in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing within a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree or replace their original counterparty with a new one). Any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness with retrospective application.

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 amortisation 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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

Fair value hedges (cont'd)

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

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale or purchase 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.

Current versus non-current classification

Derivative 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 instrument as an economic hedge (and do not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative instrument is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivative that is not closely related to the host contract is classified consistent with the cash flows of the host contract.
- Derivative instrument that is designated as, and are effective hedging instrument, is 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

2.23 Foreign currencies

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

i) Transactions and balances

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

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

All differences arising on settlement or translation of monetary items are taken to the profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of 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 translation 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 a foreign operation are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the reporting date.

2.24 Non-current assets and disposal group held for sale and discontinued operation

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.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

2.24 Non-current assets and disposal group held for sale and discontinued operation (cont'd)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed or is classified as held for sale, and

– represents a separate major line of business or geographical area of operations; or
– is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
– is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in income statement.

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.

(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.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

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.

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.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

2.28 Income tax (cont'd)

(b) Deferred tax (cont'd)

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.

(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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

2.29 Employee benefits (cont'd)

(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:

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

3.1 Judgements made in applying accounting policies (cont'd)

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 2014, 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. Changes in the estimated economically recoverable ore reserves and resources and expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 15.

(b) Amortisation and impairment of mining rights, 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 are disclosed in Note 21.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

3.2 Key sources of estimation uncertainty (cont'd)

(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 an associate, Guilin Hinwei Tin Co Ltd., a joint venture, KM Resources, Inc. and its unquoted investment in TMR Ltd. are based on estimated 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 associates and joint ventures and unquoted investment is disclosed in Notes 19 and 20 respectively.

(d) Provision for mine restoration costs

Provision for 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 are required in determining the future expenditure, the cessation date of production and the discount rate. The carrying amount of provision for mine restoration amounting to RM10.4 million (2013: RM10.0 million) disclosed in Note 27 is based on the mine restoration plan submitted by a subsidiary to the relevant authorities during the year ended 31 December 2013. As the mine rehabilitation plan is still being reviewed by the relevant authorities, the final amount cannot be determined at this juncture. Where expectations from the relevant authorities differ from the original plan submitted or actual amount differs from the original estimates, the differences may significantly impact the carrying amount of provision for mine restoration costs.

(e) 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.

(f) 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

3.2 Key sources of estimation uncertainty (cont'd)

(g) 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.

(h) 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% (2013: 10%) from management's estimates, the Group's allowance for impairment will increase by RM598,000 (2013: RM752,000).

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

4. Profit/(Loss) before tax

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations:				
After charging:				
Auditors' remuneration:				
– statutory audits	**484**	364	**390**	280
– under provision in prior years	**145**	179	**140**	170
Amortisation of prepaid land lease payments (Note 16)	**33**	30	**–**	–
Amortisation of mining rights (Note 17)	**893**	851	**–**	–
Amortisation of corporate club memberships (Note 17)	**47**	45	**2**	–
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure (Note 21)	**839**	384	**–**	–
Consulting fees paid to a director of a subsidiary	**60**	60	**–**	–
Depreciation of property, plant and equipment (Note 15)	**6,143**	5,265	**2,760**	2,353
Directors' remuneration (Note 37(b)):				
– fees	**615**	530	**550**	465
– benefits-in-kind	**–**	119	**–**	119
– salaries and emoluments	**937**	1,182	**932**	1,178
Hire of equipment and vehicles	**301**	84	**301**	84
Provision for severance benefits (Note 27)	**34**	–	**–**	–
Rental of land and buildings	**267**	288	**1,942**	1,942
Write down of inventories	**3,200**	–	**3,200**	–
and crediting:				
Gain on sale of disposal group classified as held for sale (Note 22)	**–**	–	**3,236**	–
Reversal of provision for severance benefits, net (Note 27)	**–**	120	**–**	–

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Discontinued operations: (Notes 18(b) and 22)				
After charging:				
Auditors' remuneration:				
– statutory audits	**84**	312	**–**	–
– under provision in prior years	**–**	126	**–**	–
Amortisation of prepaid land lease payments (Note 16)	**9**	28	**–**	–
Depreciation of property, plant and equipment (Note 15)	**75**	1,637	**–**	–
Directors' remuneration (Note 37(b)):				
– fees	**3**	12	**–**	–
Loss on sale of a subsidiary (Note 18(b))	**3,504**	–	**–**	–
Loss on sale of disposal group classified as held for sale (Note 22)	**25,343**	–	**–**	–
Provision for severance benefits (Note 27)	**–**	1,352	**–**	–
Rental of land and buildings	**18**	279	**–**	–
Secretarial fees payable to a director of a foreign subsidiary	**–**	32	**–**	–
Write down of inventories	**–**	7,404	**–**	–
and crediting:				
Reversal of provision for severance benefits, net (Notes 18(b) and 22)	**378**	–	**–**	–

5. Dividend income

	Company 2014 RM'000	Company 2013 RM'000
Dividend income from:		
Investment in subsidiaries		
– Unquoted in Malaysia	**10,890**	32,670
Investment in associates and joint ventures		
– Unquoted in Malaysia	**29,343**	17,278
	40,233	49,948

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

6. Interest income

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
– Subsidiaries	–	–	505	530
– Associates and joint ventures	147	823	147	823
– Deposits	2,239	3,610	1,031	1,851
– Tin sales	4,770	4,113	4,770	4,113
	7,156	8,546	6,453	7,317

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

7. Other (loss)/income

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other operating income	2,661	2,168	3,278	3,257
Gain on sale of disposal group classified as held for sale (Note 22)	–	–	3,236	–
Gain on disposal of property, plant and equipment	3	10	–	10
Net foreign exchange (loss)/gain	(10,409)	4,005	(5,481)	(10,254)
Fair value changes in financial assets:				
– Interest rate swap	103	210	103	210
– Ineffective portion of derivatives designated as hedging instruments in cash flow hedge (Note 31)	481	(779)	481	(835)
Waiver on advances received from a joint venture	–	–	8,291	9,817
	(7,161)	5,614	9,908	2,205

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

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

8. Employee benefits expense

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	**44,400**	38,451	**28,824**	24,573
Social security contribution	**357**	327	**172**	155
Contribution to defined contribution plan	**4,538**	4,441	**3,255**	3,286
Severance benefits (Note 27)	**34**	(120)	**–**	–
Other benefits	**1,929**	2,109	**1,660**	1,773
	51,258	45,208	**33,911**	29,787

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

9. Finance costs

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest expenses on bank borrowings	**14,287**	12,823	**14,287**	12,823
Interest expense paid to a subsidiary	**–**	–	**–**	110
Commitment fees	**15**	15	**15**	15
Unwinding of discount on provision (Note 27)	**350**	157	**–**	–
	14,652	12,995	**14,302**	12,948

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

10. Other expenses

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Administrative expenses	**4,704**	12,668	**3,769**	11,662
Marketing and distribution expenses	**1,183**	1,315	**1,183**	1,315
Property, plant and equipment written off	**4**	623	**–**	1
Loss on disposal of an investment security	**–**	41	**–**	41
Revaluation deficit on property	**28**	1	**–**	–
Reversal of interest charged to a subsidiary	**–**	–	**–**	24,494
Reversal of interest charged to a joint venture	**692**	–	**692**	–
Provision for financial guarantee	**9,635**	–	**9,635**	–
	16,246	14,648	**15,279**	37,513

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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

11. Impairment losses

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impairment of investment securities	**93**	12,876	**93**	12,876
Impairment of receivables (Note 24)	**6,164**	1,829	**7,024**	16,970
Impairment/(Reversal of impairment) of investment in an associate and a joint venture, net	**3,143**	(6,000)	**7,234**	–
Reversal of impairment of receivables (Note 24)	**–**	(656)	**–**	(1,490)
	9,400	8,049	**14,351**	28,356

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

12. Income tax expense

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income statement				
Current income tax – continuing operations:				
Malaysian income tax	**20,187**	25,649	**11,654**	15,562
Under/(Over) provision in prior years:				
Malaysian income tax	**920**	3	**1,251**	(38)
	21,107	25,652	**12,905**	15,524
Foreign withholding tax	**–**	(3,863)	**–**	(3,863)
	21,107	21,789	**12,905**	11,661

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

12. Income tax expense (cont'd)

Major components of income tax expense (cont'd)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax – continuing operations (Note 33):				
Relating to origination and reversal of temporary differences	**(123)**	1,045	**(528)**	1,110
Under/(Over) provision in prior years	**1,348**	(210)	**1,552**	(182)
Relating to reduction in Malaysian income tax rate	**–**	176	**–**	176
	1,225	1,011	**1,024**	1,104
Income tax attributable to continuing operations/Income tax expense recognised in profit or loss	**22,332**	22,800	**13,929**	12,765
Deferred tax related to other comprehensive income (Notes 31 and 33):				
Net surplus on revaluation of buildings	**494**	496	**247**	108
Cumulative fair value gain on available-for-sale investment securities	**189**	525	**189**	525
Net fair value changes on cash flow hedges	**(1,010)**	(426)	**(1,010)**	(440)
	(327)	595	**(574)**	193

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:-

	2014	**2013**
Australia	**–**	30%
Indonesia	**25%**	25% and 30%
Singapore	**17%**	17%

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

12. Income tax expense (cont'd)

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax from continuing operations	**44,992**	70,619	**67,572**	56,212
Loss before tax from discontinued operations:				
- Subsidiary (Note 18(b))	**(6,842)**	(4,274)	**–**	–
- Disposal group classified as held for sale (Note 22)	**(25,788)**	(32,570)	**–**	–
	(32,630)	(36,844)	**–**	–
Accounting profit before tax	**12,362**	33,775	**67,572**	56,212
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	**3,091**	8,444	**16,893**	14,053
Effect of reduction in tax rate	**13**	205	**22**	123
Different tax rates in other countries	**(18)**	(1,742)	**–**	–
Income not subject to tax	**(144)**	(24)	**(12,948)**	(14,958)
Expenses not deductible for tax purpose	**17,122**	27,709	**7,159**	17,630
Utilisation of previously unrecognised tax losses	**–**	(7,722)	**–**	–
Under/(Over) provision of tax expense in prior years	**920**	3	**1,251**	(38)
Under/(Over) provision of deferred tax in prior years	**1,348**	(210)	**1,552**	(182)
Foreign withholding tax	**–**	(3,863)	**–**	(3,863)
Income tax expense recognised in profit or loss	**22,332**	22,800	**13,929**	12,765

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	
	2014	2013
Profit from continuing operations (RM'000)	**22,658**	47,819
Loss from discontinued operations (RM'000)	**(32,523)**	(31,036)
Net (loss)/profit attributable to owners of the Company (RM'000)	**(9,865)**	16,783
Weighted average number of ordinary shares in issue ('000)	**100,000**	100,000
Basic/Diluted, earnings/(loss) per share for:		
- Profit net of tax from continuing operations (sen)	**22.6**	47.8
- Loss net of tax from discontinued operations (sen)	**(32.5)**	(31.0)
(Loss)/Profit net of tax (sen)	**(9.9)**	16.8

14. Dividends

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2014.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 2014						
- At cost	–	–	87,064	9,336	1,064	97,464
- At valuation	21,906	19,955	–	–	–	41,861
	21,906	19,955	87,064	9,336	1,064	139,325
Additions	–	102	270	–	8,669	9,041
Disposals/Written off	–	–	(3,817)	–	–	(3,817)
Transfer in/(out)	–	418	5,172	–	(5,590)	–
Sale of a subsidiary (Note 18(b))	–	(1,120)	(3,375)	–	–	(4,495)
Revaluation adjustments	2,754	813	–	–	–	3,567
Exchange differences	–	(24)	(59)	–	–	(83)
At 31 December 2014	24,660	20,144	85,255	9,336	4,143	143,538
Representing:						
- At cost	–	–	85,255	9,336	4,143	98,734
- At valuation	24,660	20,144	–	–	–	44,804
At 31 December 2014	24,660	20,144	85,255	9,336	4,143	143,538
Accumulated depreciation and impairment losses						
At 1 January 2014	–	–	55,149	1,655	–	56,804
Depreciation charge for the year	–	707	5,059	452	–	6,218
- Continuing (Note 4)	–	642	5,049	452	–	6,143
- Discontinued (Notes 4/18(b))	–	65	10	–	–	75
Disposals/Written off	–	–	(3,813)	–	–	(3,813)
Sale of a subsidiary (Note 18(b))	–	(68)	(3,368)	–	–	(3,436)
Elimination of accumulated depreciation on revaluation	–	(642)	–	–	–	(642)
Exchange differences	–	3	(61)	–	–	(58)
At 31 December 2014	–	–	52,966	2,107	–	55,073
Net carrying amount						
- At cost	–	–	32,289	7,229	4,143	43,661
- At valuation	24,660	20,144	–	–	–	44,804
At 31 December 2014	24,660	20,144	32,289	7,229	4,143	88,465

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

Group	Freehold land	Buildings	Plant, equipment, vehicles and furniture	Mine restoration	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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
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)	–	573	4,555	137	–	5,265
- Discontinued (Note 4)	–	147	1,490	–	–	1,637
- Subsidiary (Note 18(b))	–	147	32	–	–	179
- Disposal group classified as held for sale (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

Included in the Group's additions to property, plant and equipment is an amount of RM5,352,000 relating to provision for mine restoration costs for financial year 2013 as disclosed in Note 27.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

Company	Buildings	Plant, equipment, vehicles and furniture	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000
Cost or Valuation				
At 1 January 2014				
- At cost	–	54,261	648	54,909
- At valuation	9,200	–	–	9,200
	9,200	54,261	648	64,109
Additions	–	–	7,165	7,165
Disposals/Written off	–	(3,741)	–	(3,741)
Transfer in/(out)	–	3,674	(3,674)	–
Revaluation adjustments	776	–	–	776
At 31 December 2014	9,976	54,194	4,139	68,309
Representing:				
- At cost	–	54,194	4,139	58,333
- At valuation	9,976	–	–	9,976
At 31 December 2014	9,976	54,194	4,139	68,309
Accumulated depreciation and impairment losses				
At 1 January 2014	–	38,873	–	38,873
Depreciation charge for the year (Note 4)	254	2,506	–	2,760
Disposals/Written off	–	(3,741)	–	(3,741)
Elimination of accumulated depreciation on revaluation	(254)	–	–	(254)
At 31 December 2014	–	37,638	–	37,638
Net carrying amount				
- At cost	–	16,556	4,139	20,695
- At valuation	9,976	–	–	9,976
At 31 December 2014	9,976	16,556	4,139	30,671

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

Company	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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

Group

Freehold land and buildings owned by the Group were revalued in 2014 by the directors based on valuation carried out by an independent firm of professional valuers as follows:

	Date of valuation	Description of property	Valuation Amount RM'000
(i)	31 Dec 2014	Land and tin smelting industrial complex in Butterworth	**32,429**
(ii)	31 Dec 2014	Office lots in Kuala Lumpur	**5,800**
(iii)	31 Dec 2014	80 units flats in Bukit Mertajam	**4,176**
(iv)	31 Dec 2014	Land and buildings in Daerah Hulu Perak	**2,399**
			44,804

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	
	31.12.2014 RM'000	**31.12.2013 RM'000**	**31.12.2014 RM'000**	**31.12.2013 RM'000**
Freehold land	**9,339**	9,339	**–**	–
Buildings	**9,342**	10,251	**5,683**	5,885

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

16. Prepaid land lease payments

Group	2014 RM'000	2013 RM'000
Leasehold land		
At 1 January	**1,214**	1,173
Additions	**200**	60
Exchange translation differences	**(12)**	39
Amortisation for the year	**(42)**	(58)
- Continuing (Note 4)	**(33)**	(30)
- Discontinued (Notes 4/18(b))	**(9)**	(28)
Sale of a subsidiary (Note 18(b))	**(521)**	–
At 31 December	**839**	1,214
Analysed as:		
Long term leasehold land	**519**	327
Short term leasehold land	**320**	887
	839	1,214
Amount to be amortised:		
- Not later than one year	**33**	58
- Later than one year but not later than five years	**131**	232
- Later than five years	**675**	924
	839	1,214

The long term leasehold land has unexpired lease periods of between 54 and 98 years (2013: 55 and 99 years). The short term leasehold land has unexpired lease periods of between 8 and 14 years (2013: 6 and 21 years).

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

17. Intangible assets

Group	Mining rights RM'000	Goodwill RM'000	Corporate club memberships RM'000	Total RM'000
Cost				
At 1 January 2014	**20,381**	**657**	**863**	**21,901**
Acquisition of a subsidiary (Note 18(a))	**1,436**	**–**	**–**	**1,436**
Additions	**–**	**–**	**215**	**215**
At 31 December 2014	**21,817**	**657**	**1,078**	**23,552**
At 1 January 2013	20,003	657	863	21,523
Additions	378	–	–	378
At 31 December 2013	20,381	657	863	21,901
Accumulated amortisation and impairment losses				
At 1 January 2014	**12,842**	**657**	**245**	**13,744**
Amortisation for the year (Note 4)	**893**	**–**	**47**	**940**
At 31 December 2014	**13,735**	**657**	**292**	**14,684**
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
Net carrying amount				
At 31 December 2014	**8,082**	**–**	**786**	**8,868**
At 31 December 2013	7,539	–	618	8,157

Company	Corporate club membership RM'000
Cost	
At 1 January 2014	**–**
Additions	**215**
At 31 December 2014	**215**
Accumulated amortisation and impairment losses	
At 1 January 2014	**–**
Amortisation for the year (Note 4)	**2**
At 31 December 2014	**2**
Net carrying amount	
At 31 December 2014	**213**

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

17. Intangible assets (cont'd)

Mining rights

These consist of the mining rights of Rahman Hydraulic Tin Sdn. Bhd. ("RHT") and SL Tin Sdn. Bhd. ("SL Tin"). Based on the assessment and review made by the management, there is no indication of impairment in the mining rights of RHT and SL Tin.

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	31.12.2014 RM'000	31.12.2013 RM'000
Unquoted shares, at cost	**148,681**	166,553
Less: Accumulated impairment losses	**–**	(17,872)
	148,681	148,681

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

18. Investment in subsidiaries (cont'd)

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^	
			31.12.2014	31.12.2013	31.12.2014	31.12.2013
Held by the Company:			%	%	%	%
Malaysia Smelting Corporation (Warehousing) Sdn. Bhd.*	Malaysia	Tin warehousing	**100**	100	**–**	–
Rahman Hydraulic Tin Sdn. Bhd.* ("RHT")	Malaysia	Tin mining	**100**	100	**–**	–
MSC Properties Sdn. Bhd.*	Malaysia	Property holding and rental	**100**	100	**–**	–
Bemban Corporation Ltd. ("BCL") (Note 22)	British Virgin Islands	Investment holding	**–**	100~	**–**	–
PT MSC Indonesia (Note 18(b))	Indonesia	Tin exploration and mining	**–**	100	**–**	–
Straits Resource Management Private Limited ("SRM")*	Singapore	Investment holding	**100**	100	**–**	–
Held through subsidiaries:						
Held by RHT						
SL Tin Sdn. Bhd. ("SL Tin")*** (Note 18(a))	Malaysia	Tin mining	**80#**	–	**20**	–
Held by SRM						
PT SRM Indonesia ("PT SRM")***	Indonesia	Providing tin exploration, management and consulting services	**99#**	99#	**1**	1
Held by BCL						
Kajuara Mining Corporation Pty. Ltd. (Note 22)	Australia	Investment holding	**–**	100#~	**–**	–
PT Koba Tin (Note 22)	Indonesia	Tin mining and smelting	**–**	75#~	**–**	25
PT Bangka Resources (Note 22)	Indonesia	Dormant	**–**	100#~	**–**	–

^ 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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

18. Investment in subsidiaries (cont'd)

The non-controlling interests in respect of SL Tin and PT SRM are not material to the Group. Summarised financial information of PT Koba Tin which had non-controlling interest that is material to the Group in year 2013 is disclosed in Note 22.

(a) Acquisition of a subsidiary

On 11 March 2014, the Company's wholly owned subsidiary, Rahman Hydraulic Tin Sdn. Bhd.("RHT") entered into a Share Sale Agreement and Shareholders' Agreement for the acquisition of an 80% equity interest in SL Tin Sdn. Bhd. ("SL Tin") for a purchase consideration of RM500,000.

After the acquisition, SL Tin became an 80% owned subsidiary of RHT.

The acquisition of SL Tin had contributed the following results to the Group from the date of acquisition:

	Group
	RM'000
Revenue	–
Profit before tax from continuing operations	10

If the acquisition had occurred on 1 January 2014, the Group's profit before tax from continuing operations, would have been reduced by RM14,000. There was no revenue from SL Tin in 2014.

Transaction costs of RM2,000 related to the acquisition were expensed and included in "other expenses" line item in the Group's profit or loss for the year ended 31 December 2014.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of SL Tin as at the date of acquisition were:

	RM'000
Assets	
Other non-current assets – deferred mine exploration and evaluation expenditure (Note 21)	37
Intangible assets – mining rights (Note 17)	1,436
Other receivables	75
Cash and cash equivalents	22
	1,570
Liabilities	
Other payables	(76)
Net assets acquired	1,494
Less: Non-controlling interest (20% of net assets)	(299)
Total cost of acquisition	1,195
Less: Portion discharged by advances to SL Tin prior to acquisition	(695)
Purchase consideration	500

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

18. Investment in subsidiaries (cont'd)

(a) Acquisition of a subsidiary (cont'd)

The cash outflow arising on acquisition is as follows:

	RM'000
Net cash acquired	**22**
Cash paid	**(500)**
Net cash outflow	**(478)**

(b) Sale of a subsidiary classified as discontinued operation

On 1 June 2014, the Company entered into a sale and purchase agreement with PT Bangka Timah Utama and Mr Eddy Dayanto to sell its entire interest in PT MSC Indonesia ("PT MSCI") for a consideration of USD1.00. Its results are presented separately on the consolidated income statement as "Loss from discontinued operations, net of tax" for both years 2014 and 2013.

Following the sale which was completed on 2 June 2014, PT MSCI ceased to be a subsidiary of the Group. All the assets and liabilities of PT MSCI were de-consolidated from the consolidated financial statements of the Group from the date of sale.

The sale had the following effects on the financial performance of the Group:

	Group	
	2014	**2013**
	RM'000	**RM'000**
	(Note a)	
Other (loss)/income	**(737)**	1,666*
Employee benefits expense	**(148)**	(1,281)
Depreciation expense (Note 15)	**(75)**	(179)
Amortisation expense (Note 16)	**(9)**	(28)
Impairment loss	**–**	(876)
Other expenses	**(2,369)**	(3,576)
Loss on sale of PT MSCI	**(3,504)**	–
Total expense	**(6,105)**	(5,940)
Loss before tax (Note 4)	**(6,842)**	(4,274)
Income tax expense	**–**	–
Loss from discontinued operation, net of tax	**(6,842)**	(4,274)

*Includes fair value gain in financial assets – ineffective portion of derivatives designated as hedging instruments in cash flow hedge of RM3,000 as disclosed in Note 31.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

18. Investment in subsidiaries (cont'd)

(b) Sale of a subsidiary classified as discontinued operation (cont'd)

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

	Group	
	2014	2013
	RM'000	RM'000
	(Note a)	
Employee benefits expense		
- Wages and salaries	**176**	1,155
- Contribution to defined contribution plan	**–**	63
- Severance benefits (Note 27)	**(31)**	30
- Other benefits	**3**	33
	148	1,281

	Group	
	2014	2013
	RM'000	RM'000
	(Note a)	
Impairment loss		
- Impairment of receivables (Note 24)	**–**	876

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

	Group	
	2014	2013
	RM'000	RM'000
	(Note a)	
Operating	**(171)**	87
Investing	**–**	–
Financing	**–**	–
Net cash (outflow)/inflow	**(171)**	87

Note a: The results were from 1 January 2014 to the date of sale.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

18. Investment in subsidiaries (cont'd)

(b) Sale of a subsidiary classified as discontinued operation (cont'd)

The sale had the following effects on the financial position of the Group:

	Group 31.12.2014 RM'000
Property, plant and equipment (Note 15)	1,059
Prepaid land lease payments (Note 16)	521
Inventories	470
Trade and other receivables	3,389
Cash and cash equivalents	22
Provisions (Note 27)	(202)
Trade and other payables	(5,350)
Deferred tax liabilities (Note 33)	(110)
Foreign currency translation reserves reclassified to profit or loss	3,705
Revaluation reserves transferred to retained earnings (Note 31)	(193)
	3,311
Total sale proceeds (USD1.00)	–
Loss on sale of PT MSCI	3,311
Recognised in profit or loss	3,504
Revaluation reserves transferred to retained earnings	(193)
	3,311

The cash outflow arising on sale is as follows:

	2014 RM'000
Consideration settled in cash (USD1.00)	–
Less: Cash and cash equivalents of PT MSCI disposed	(22)
Net cash outflow	(22)

The sale had the following effects on the financial position of the Company:

	Company 31.12.2014 RM'000
Assets:	
Investment in subsidiaries	
Unquoted shares, at cost	17,872
Less: Accumulated impairment losses	(17,872)
	–
Total sale proceeds (USD1.00)	–
No gain and no loss on sale of PT MSCI	–

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

19. Investment in associates and joint ventures

	Group		Company	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	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	**12,500**	12,278	**–**	–
	22,973	22,751	**10,473**	10,473
Outside Malaysia:				
Unquoted shares, at cost	**17,374**	18,431	**17,374**	18,431
Share of post-acquisition reserves	**(5,558)**	(5,558)	**–**	–
	11,816	12,873	**17,374**	18,431
Accumulated impairment losses	**(11,816)**	(12,873)	**(17,374)**	(18,431)
	–	–	**–**	–
	22,973	22,751	**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	**8,724**	40,854	**–**	–
	53,145	85,275	**44,421**	44,421
Accumulated impairment losses	**(4,800)**	(600)	**(8,291)**	–
	48,345	84,675	**36,130**	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
	48,345	84,675	**37,404**	45,695
Total investment in associates and joint ventures	**71,318**	107,426	**47,877**	56,168

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

The Group has not recognised losses relating to Africa Smelting Corporation Sprl ("ASC") where its share of losses exceeds the Group's interest in this joint venture. The unrecognised share of losses of the Group at the reporting date were as follows:

	Group	
	2014	2013
	RM'000	RM'000
Share of losses:		
Current year	**(263)**	(194)
Cumulative	**(457)**	(194)

The Group has no obligation in respect of these losses.

(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* 31.12.2014 %	Proportion of ownership interest* 31.12.2013 %	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	Dormant	**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.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

(i) Investment in associates (cont'd)

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

Summarised statement of financial position

	Redring	
	31.12.2014	**31.12.2013**
	RM'000	**RM'000**
Non-current assets	**19,708**	20,081
Current assets	**43,498**	44,249
Total assets	**63,206**	64,330
Non-current liabilities	**174**	174
Current liabilities	**5,599**	7,279
Total liabilities	**5,773**	7,453
Net assets	**57,433**	56,877

Summarised statement of comprehensive income

	Redring	
	2014	**2013**
	RM'000	**RM'000**
Revenue	**78,951**	78,625
Profit/(Loss) before tax	**777**	(422)
Profit/(Loss) for the year	**626**	(453)
Other comprehensive income	**–**	–
Total comprehensive income	**626**	(453)

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

	Redring	
	2014	**2013**
	RM'000	**RM'000**
Net assets at 31 December	**57,433**	56,877
Interest in associate	**40%**	40%
Carrying value of Group's interest in associate	**22,973**	22,751

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

(i) Investment in associates (cont'd)

Aggregate information of associate that is not individually material

	2014 RM'000	2013 RM'000
The Group's share of loss before tax	–	–
The Group's share of loss after tax	–	–
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive income	–	–

(ii) Investment in joint ventures

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

Name of joint ventures	Country of incorporation	Proportion of ownership interest* 31.12.2014 %	Proportion of ownership interest* 31.12.2013 %	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. The subsidiaries in the Philippines have ceased the mining and processing operations due to depletion of mineral resources.

During the financial year ended 31 December 2014, the Group carried out a review of the recoverable amount of its investment in KM Resources, Inc.. An impairment provision of RM4,200,000 (2013: a reversal of impairment provision of RM6,000,000) was recognised in profit or loss of the Group. The recoverable amount was based on management estimates of fair value less costs to sell.

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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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

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

Summarised statement of financial position

	KMR Group	
	31.12.2014	**31.12.2013**
	RM'000	**RM'000**
Non-current assets	**24,270**	27,238
Cash and cash equivalents	**34,280**	121,278
Other current assets	**138,369**	194,190
Total current assets	**172,649**	315,468
Total assets	**196,919**	342,706
Current liabilities (excluding trade and other payables and provisions)	**545**	3,496
Trade and other payables and provisions	**8,525**	19,726
Total current liabilities	**9,070**	23,222
Non-current liabilities (excluding trade and other payables and provisions)	**12**	11
Trade and other payables and provisions	**10,686**	35,222
Total non-current liabilities	**10,698**	35,233
Total liabilities	**19,768**	58,455
Net assets	**177,151**	284,251

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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

Summarised statement of comprehensive income

	KMR Group	
	2014	**2013**
	RM'000	**RM'000**
Revenue	**38,596**	289,613
Depreciation and amortisation	**(8)**	(158,683)
Interest income	**195**	105
Interest expense	**(88)**	(68)
Loss before tax	**(13,180)**	(67,343)
Income tax expense	**(467)**	(4,587)
Loss after tax	**(13,647)**	(71,930)
Non-controlling interest	**6,165**	11,039
Loss after tax- attributable to owners of the Company	**(7,482)**	(60,891)
Other comprehensive income	**25,733**	(46,222)
Total comprehensive income	**18,251**	(107,113)
Dividend declared and paid by the joint venture during the year	**97,715**	57,500

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

	KMR Group	
	2014	**2013**
	RM'000	**RM'000**
Net assets at 31 December	**177,151**	284,251
Interest in joint venture	**30%**	30%
	53,145	85,275
Cumulative impairment	**(4,800)**	(600)
Carrying value of Group's interest in joint venture	**48,345**	84,675

Aggregate information of joint venture that is not individually material

	2014	**2013**
	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)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

20. Investment securities

Group and Company	31.12.2014	31.12.2013
	RM'000	RM'000
Available-for-sale ("AFS") investments:		
- Quoted shares, at fair value	**7,792**	7,098
- Unquoted investment, at fair value	**–**	–
	7,792	7,098

(a) Quoted shares, at fair value

These comprise the investment in Asian Mineral Resources Limited ("AMR') and Alphamin Resources Corp. ("Alphamin"), both incorporated in Canada and listed on Toronto Venture Exchange. During the financial year ended 31 December 2014, the Group and the Company recognised an impairment loss of RM93,000 (2013: RM1,916,000) and RMNil (2013: RM1,865,000) in profit or loss for AMR and Alphamin respectively, as there was a "significant" or "prolonged" decline in the fair value of these investments.

(b) Unquoted investment, at fair value

This comprises 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 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

21. Other non-current assets

Group	Deferred mine exploration and evaluation expenditure	Deferred mine development expenditure	Total
	RM'000	RM'000	RM'000
At 1 January 2014	**4,753**	**2,458**	**7,211**
Acquisition of a subsidiary (Note 18(a))	**37**	**–**	**37**
Additions	**3,882**	**1,167**	**5,049**
Amortisation to profit or loss (Note 4)	**(562)**	**(277)**	**(839)**
At 31 December 2014	**8,110**	**3,348**	**11,458**
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

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.

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

As at 31 December 2013, the Group and the Company reclassified its entire interest in Bemban Corporation Ltd. ("BCL") Group ((comprising BCL, Kajuara Mining Corporation Pty. Ltd. ("KMC"), PT Koba Tin ("Koba Tin") and PT Bangka Resources ("PT Bangka")) as disposal group classified as held for sale.

Accordingly, the assets and liabilities related to BCL Group had 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 were presented separately on the consolidated income statement as "Loss from discontinued operation, net of tax" for financial years 2014 and 2013.

On 1 June 2014, the Company entered into a sale and purchase agreement with Berkeley Kensington Group Limited to sell its entire interest in BCL Group for a total consideration of USD1.00 million (RM3.24 million based on RM/USD exchange rate of RM3.236).

Following the sale which was completed on 2 June 2014, BCL, KMC, Koba Tin and PT Bangka ceased to be subsidiaries of the Group. All the assets and liabilities of the BCL Group were de-consolidated from the Consolidated Financial Statements of the Group from the date of sale.

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 2014 and 2013 were as follows:

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

		Group	
		31.12.2014	31.12.2013
		RM'000	RM'000
Assets:			
Property, plant and equipment (Note 15)		–	3,075
Other receivables – mine closure deposits		–	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 (Note 31)		–	(6,969)

(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

(ii) Trade and other payables consist of trade payables amounting to RM5,985,000 and other payables and accruals amounting to RM55,261,000 as at 31 December 2013.

The non-current asset classified as held for sale on the separate statement of financial position of the Company as at 31 December 2014 and 2013 were as follows:

	Company	
	31.12.2014	31.12.2013
	RM'000	RM'000
Assets:		
Investment in subsidiaries		
Unquoted shares, at cost	–	56,875
Less: Accumulated impairment losses	–	(56,875)
	–	–

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

The sale had the follwoing effects on the financial performance of the Group :

	Group	
	2014	**2013**
	RM'000	**RM'000**
	(Note a)	
Revenue	**–**	41,132
Interest income	**–**	23
Other (loss)/income	**(88)**	274
Costs of tin mining	**–**	(36,444)
Employee benefits expense	**(47)**	(10,058)
Depreciation expense (Note 15)	**–**	(1,458)
Impairment loss	**–**	(16,890)
Finance costs	**–**	(705)
Other expenses	**(310)**	(8,444)
Loss on sale of BCL Group	**(25,343)**	–
Total expense	**(25,700)**	(73,999)
Loss before tax (Note 4)	**(25,788)**	(32,570)
Income tax expense	**–**	–
Loss from discontinued operation, net of tax	**(25,788)**	(32,570)
Attributable to:		
Owners of the Company	**(25,681)**	(26,762)
Non-controlling interests	**(107)**	(5,808)
	(25,788)	(32,570)

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
	(Note a)	
Employee benefits expense		
- Wages and salaries	**394**	8,059
- Contribution to defined contribution plan	**–**	219
- Severance benefits	**(347)**	1,322
- Other benefits	**–**	458
	47	10,058

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

	Group	
	2014	2013
	RM'000	RM'000
	(Note a)	
Impairment loss		
- Impairment of receivables (Note 24)	–	16,890

Statement of cash flows disclosures

	Group	
	2014	2013
	RM'000	RM'000
	(Note a)	
Operating	**694**	101,293
Investing	**–**	(30,066)
Financing	**–**	(69,042)
Net cash inflows	**694**	2,185

Included in the net cash generated from operating activities were payment for severance benefits amounting to RM5,490,000 (2013: RM1,164,000).

Note a: The results were from 1 January 2014 to the date of sale.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

The sale had the following effects on the financial position of the Group:

	Group 31.12.2014 RM'000
Property, plant and equipment	3,009
Other receivables – mine closure deposits	53,811
Inventories	65,986
Other receivables	571
Cash and cash equivalents	751
Provisions	(74,236)
Trade and other payables	(66,757)
Derecognition of non-controlling interests	41,286
Foreign currency translation reserves reclassified to profit or loss	4,158
	28,579
Total sale proceeds	(3,236)
Loss on sale of BCL Group to the Group	25,343

Sale consideration:

	2014 RM'000
Consideration settled in cash	1,309
Receivable	1,927
Total consideration	3,236

The cash inflow arising on sale is as follows:

	2014 RM'000
Consideration settled in cash	1,309
Less: Cash and cash equivalents of BCL Group disposed	(751)
Net cash inflow	558

The sale had the following effects on the financial position of the Company:

	Company 31.12.2014 RM'000
Non-current assets classified as held for sale:	
Investment in subsidiaries	
Unquoted shares, at cost	56,875
Less: Accumulated impairment losses	(56,875)
	–
Total sale proceeds	(3,236)
Gain on sale of BCL Group to the Company (Note 7)	(3,236)

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

23. Inventories

	Group 31.12.2014 RM'000	Group 31.12.2013 RM'000	Company 31.12.2014 RM'000	Company 31.12.2013 RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**239,501**	259,347	**240,400**	260,342
Other inventories (stores, spares, fuels, coal and saleable by-products)	**14,451**	16,227	**11,117**	12,491
	253,952	275,574	**251,517**	272,833

24. Trade and other receivables

	Note	Group 31.12.2014 RM'000	Group 31.12.2013 RM'000	Company 31.12.2014 RM'000	Company 31.12.2013 RM'000
Non-current					
Other receivables					
Joint venture	(i)	**7,334**	8,026	**7,334**	8,026
Allowance for impairment					
- Joint venture		**(1,352)**	(506)	**(1,352)**	(506)
Other receivables, net		**5,982**	7,520	**5,982**	7,520
Current					
Trade receivables					
Third parties		**108,954**	66,300	**108,953**	65,806
Subsidiaries		**–**	–	**–**	57,297
Associate	(iii)	**1,627**	1,601	**1,627**	1,601
		110,581	67,901	**110,580**	124,704
Allowance for impairment					
- Third parties		**(12,629)**	(9,150)	**(12,629)**	(9,150)
- Subsidiary		**–**	–	**–**	(57,297)
Trade receivables, net		**97,952**	58,751	**97,951**	58,257

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

24. Trade and other receivables (cont'd)

	Note	Group 31.12.2014 RM'000	Group 31.12.2013 RM'000	Company 31.12.2014 RM'000	Company 31.12.2013 RM'000
Other receivables					
Third parties		**14,258**	44,787	**14,192**	23,029
Subsidiaries	(ii)	**–**	–	**16,477**	116,266
Joint ventures		**59**	94	**59**	94
		14,317	44,881	**30,728**	139,389
Allowance for impairment					
- Third parties		**(8,811)**	(35,505)	**(8,811)**	(17,710)
- Subsidiaries		**–**	–	**–**	(98,946)
Other receivables, net		**5,506**	9,376	**21,917**	22,733
Deposits		**545**	1,305	**817**	766
		6,051	10,681	**22,734**	23,499
Total trade and other receivables **(current)**		**104,003**	69,432	**120,685**	81,756
Total trade and other receivables **(current and non-current)** excluding **deposits**		**109,440**	75,647	**125,850**	88,510
Add: **Cash and bank balances** (Note 26)		**118,311**	104,347	**74,390**	77,124
Total loans and receivables		**227,751**	179,994	**200,240**	165,634

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) Amount due from a joint venture

The amount is due from Africa Smelting Corporation Sprl. This is an unsecured term loan, currently interest free. Interest will be charged at 10% per annum from date of commencement of production. This term loan is repayable in 12 equal quarterly instalments commencing 12 months after date of commencement of production. The estimated date of commencement of production is 1 January 2018.

(ii) Amounts due from subsidiaries

These are unsecured and repayable on demand and include advances amounting to RM16.48 million (2013: RM17.32 million) where interest rate of 3.0% (2013: 3.0%) per annum is charged.

(iii) 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 RM'000	Net RM'000
Group			
At 31 December 2014			
Not past due	**104,855**	**1,352**	**103,503**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**3,768**	**–**	**3,768**
61 to 90 days	**300**	**–**	**300**
91 to 120 days	**30**	**–**	**30**
More than 120 days	**23,279**	**21,440**	**1,839**
	27,377	**21,440**	**5,937**
Total	**132,232**	**22,792**	**109,440**
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

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

24. Trade and other receivables (cont'd)

	Gross RM'000	Allowance for impairment RM'000	Net RM'000
Company			
At 31 December 2014			
Not past due	**121,265**	**1,352**	**119,913**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**3,768**	**–**	**3,768**
61 to 90 days	**300**	**–**	**300**
91 to 120 days	**30**	**–**	**30**
More than 120 days	**23,279**	**21,440**	**1,839**
	27,377	**21,440**	**5,937**
Total	**148,642**	**22,792**	**125,850**
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

Receivables that are neither past due nor impaired

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

At the reporting date, the Group and the Company have trade receivables arising from export sales amounting to RM8,501,000 (2013: RM7,502,000) which are to be settled via letters of credit issued by reputable banks in the countries where the customers are based.

Receivables that are past due but not impaired

Both the Group and the Company have trade and other receivables amounting to RM4,296,000 (2013: RM8,663,000 for the Group; RM5,118,000 for the Company) 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

24. Trade and other receivables (cont'd)

Receivables that are impaired

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

	Group		Company	
	Individually impaired			
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Trade and other receivables- nominal amounts	**30,415**	57,810	**30,415**	196,258
Less: Allowance for impairment	**(22,792)**	(45,161)	**(22,792)**	(183,609)
	7,623	12,649	**7,623**	12,649

Movement in the allowance accounts:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	**45,161**	56,007	**183,609**	153,423
Attributable to disposal group classified as held for sale	**–**	(32,359)	**–**	–
Impairment for the year	**6,164**	19,595	**7,024**	16,970
- Continuing (Note 11)	**6,164**	1,829	**7,024**	16,970
- Discontinued				
- Subsidiary (Note 18(b))	**–**	876	**–**	–
- Disposal group classified as held for sale (Note 22)	**–**	16,890	**–**	–
Reversal of impairment for the year (Note 11)	**–**	(656)	**–**	(1,490)
Amounts written off	**(10,859)**	–	**(163,032)**	–
Sale of a subsidiary	**(16,364)**	–	**–**	–
Exchange adjustment	**(1,310)**	2,574	**(4,809)**	14,706
At 31 December	**22,792**	45,161	**22,792**	183,609

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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

25. Other current assets

	Group		Company	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Prepaid operating expenses	**3,190**	4,762	**3,128**	2,651

26. Cash, bank balances and deposits

	Group		Company	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	**6,622**	7,972	**3,498**	7,644
Deposits of up to three months maturity with licensed banks	**110,314**	95,046	**69,517**	68,151
	116,936	103,018	**73,015**	75,795
Deposit of more than three months maturity with a licensed bank	**1,375**	1,329	**1,375**	1,329
	118,311	104,347	**74,390**	77,124

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between 1 day 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 2014 for the Group and the Company were 3.1% (2013: 3.1%) and 3.0% (2013: 3.1%) per annum, respectively.

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

	Group		Company	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Cash and short term deposits:				
- Continuing operations	**116,936**	103,018	**73,015**	75,795
- Discontinued operation (Note 22)	**–**	57	**–**	–
Cash and cash equivalents	**116,936**	103,075	**73,015**	75,795

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

27. Provisions

Group	31.12.2014 RM'000	31.12.2013 RM'000
Severance benefits	–	546
Mine rehabilitation	–	105
Mine restoration	10,350	10,000
	10,350	10,651
Provision for financial guarantee	10,505	–
	20,855	10,651
Current	10,505	54
Non-current	10,350	10,597
Company		
Current:		
Provision for financial guarantee	10,505	–

Group	Severance benefits RM'000	Mine rehabilitation RM'000	Mine restoration RM'000	Total RM'000
At 1 January 2014	546	105	10,000	10,651
Provision during the year, net	3	–	–	3
- Continuing (Note 4)	34	–	–	34
- Discontinued (Note 18(b))	(31)	–	–	(31)
Unwinding of discount on provision (Note 9)	–	–	350	350
Paid/Utilised during the year	(420)	–	–	(420)
Sale of a subsidiary (Note 18(b))	(100)	(102)	–	(202)
Exchange differences	(29)	(3)	–	(32)
At 31 December 2014	–	–	10,350	10,350

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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	1,232	–	5,352	6,584
- Continuing (Notes 4 and 15)	(120)	–	5,352	5,232
- Discontinued				
- Subsidiary (Note 18(b))	30	–	–	30
- Disposal group classified as held for sale (Note 22)	1,322	–	–	1,322
Unwinding of discount on provision (Note 9)	–	–	157	157
Paid/Utilised during the year	(15,338)	–	–	(15,338)
Plan asset	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 31 December 2014				
Current	**–**	**–**	**–**	**–**
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	**–**	**–**	**10,350**	**10,350**
	–	**–**	**10,350**	**10,350**
	–	**–**	**10,350**	**10,350**
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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

27. Provisions (cont'd)

(a) Severance benefits

Certain subsidiary operates an unfunded Severance Benefits Scheme ("the Scheme") for their eligible employees. Under the Scheme, eligible permanent employees confirmed in service may entitle to severance benefits 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. During the financial year, the Scheme was discontinued and the amount due to each employee was paid to the employee's account with the Employees' Provident Fund ("EPF").

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

	Group	
	31.12.2014	**31.12.2013**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations/Net liability	–	**546**
Analysed as:		
Current	–	54
Non-current:		
Later than 5 years	–	492
	–	546

The amounts attributable to continuing operations that recognised in profit or loss were as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Current service cost	**34**	57
Interest cost	–	13
Past services costs	–	(190)
Total, included in employee benefits expense (Note 8)	**34**	(120)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

27. Provisions (cont'd)

(a) Severance benefits (cont'd)

Movements in the net liability are as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
At 1 January	**546**	10,458
Recognised in profit or loss	**3**	1,232
- Continuing (Note 4)	**34**	(120)
- Discontinued		
- Subsidiary (Note 18(b))	**(31)**	30
- Disposal group classified as held for sale (Note 22)	**–**	1,322
Contribution paid	**(420)**	(15,338)
Plan asset	**–**	14,174
Reclassification	**–**	469
Sale of a subsidiary	**(100)**	–
Attributable to disposal group classified as held for sale (Note 22)	**–**	(11,170)
Exchange differences	**(29)**	721
At 31 December	**–**	546

Movements in the fair value of plan asset:

	Group	
	2014	**2013**
	RM'000	**RM'000**
At 1 January	**–**	20,295
Expected return	**–**	567
Funds withdrawal	**–**	(14,174)
Benefits paid	**–**	(37)
Attributable to disposal group classified as held for sale	**–**	(3,186)
Exchange differences	**–**	(3,465)
At 31 December	**–**	–

Principal actuarial assumptions used:

	Group	
	31.12.2014	**31.12.2013**
	% per annum	**% per annum**
Discount rate	**–**	5.25 – 5.96
Expected rate of salary increases	**–**	6.00 – 10.00

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

27. Provisions (cont'd)

(b) Mine restoration

This is in respect of provision for 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.

28. Borrowings

	Group/Company	
	31.12.2014	**31.12.2013**
	RM'000	**RM'000**
Short term borrowings		
Unsecured:		
Short term trade financing	**25,840**	88,355
Bankers' acceptances	**289,072**	227,746
Revolving credit (restructured)	**–**	8,221
Term loan	**21,009**	19,731
	335,921	344,053
Long term borrowings		
Unsecured:		
Term loan	**5,208**	24,623
Total borrowings		
Unsecured:		
Short term trade financing	**25,840**	88,355
Bankers' acceptances	**289,072**	227,746
Revolving credit (restructured)	**–**	8,221
Term loan	**26,217**	44,354
	341,129	368,676

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

28. Borrowings (cont'd)

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

The revolving credit which was denominated in US Dollar and restructured to a long term facility was repayable by 10 semi-annual principal repayments commencing on 30 September 2009. It was fully repaid during the financial year ended 31 December 2014.

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

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

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

	Group/Company	
	31.12.2014	31.12.2013
	RM'000	RM'000
On demand or within one year	**335,921**	344,053
More than 1 year and less than 2 years	**5,208**	19,731
More than 2 years and less than 5 years	**–**	4,892
	341,129	368,676

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

29. Trade and other payables

		Group		Company	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
	Note	RM'000	RM'000	RM'000	RM'000
Current					
Trade payables					
Third parties	a	**16,799**	22,948	**13,527**	16,478
Subsidiaries	d	**–**	–	**4,091**	15,550
		16,799	22,948	**17,618**	32,028
Other payables					
Third parties	b	**15,126**	21,545	**10,689**	14,142
Holding company	c	**15**	57	**15**	57
Subsidiaries	d	**–**	–	**1,247**	1,440
Joint venture	e	**38,809**	44,784	**38,809**	44,784
		53,950	66,386	**50,760**	60,423
Accruals		**10,476**	9,315	**8,990**	6,874
		64,426	75,701	**59,750**	67,297
Total trade and other payables		**81,225**	98,649	**77,368**	99,325
Add: **Borrowings** (Note 28)		**341,129**	368,676	**341,129**	368,676
Total financial liabilities carried at amortised cost		**422,354**	467,325	**418,497**	468,001

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

29. Trade and other payables (cont'd)

(a) Trade payables - third parties

These are unsecured and non-interest bearing. The normal trade credit terms granted to the Group range from cash to 90 days.

(b) Other payables - third parties

These are unsecured and non-interest bearing. The normal credit terms granted to the Group range from cash to 90 days.

(c) Amount due to holding company

This is unsecured, non-interest bearing and repayable on demand.

(d) Amounts due to subsidiaries

These are unsecured, non-interest bearing and repayable on demand.

(e) Amount due to joint venture

This is unsecured, non-interest bearing and repayable on demand.

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)	Share capital (issued and fully paid)	Share premium	Total share capital and share premium
	'000	RM'000	RM'000	RM'000
Group				
At 1 January 2013/31 December 2013/31 December 2014	100,000	100,000	76,372	176,372
Company				
At 1 January 2013/31 December 2013/31 December 2014	100,000	100,000	74,666	174,666

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

	Number of ordinary shares of RM1 each		Amount	
	2014	**2013**	**2014**	**2013**
	'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** (Note a)	**Foreign currency translation reserves RM'000** (Note b)	**Available-for-sale reserves RM'000** (Note c)	**Hedging reserves RM'000** (Note d)	**Total RM'000**
At 1 January 2014	**21,116**	**(14,198)**	**1,661**	**(1,316)**	**7,263**
Other comprehensive income:					
Revaluation surplus on property, plant and equipment	**4,237**	**–**	**–**	**–**	**4,237**
Foreign currency translation	**–**	**16,273**	**–**	**–**	**16,273**
Cumulative fair value gain on available-for-sale investment securities	**–**	**–**	**787**	**–**	**787**
Net fair value changes on cash flow hedges					
- Net loss on fair value changes during the year	**–**	**–**	**–**	**(3,799)**	**(3,799)**
- Recognised in profit or loss:					
- Ineffective cash flow hedge (Note 7)	**–**	**–**	**–**	**(481)**	**(481)**
Income tax relating to components of other comprehensive income (Note 12)	**(494)**	**–**	**(189)**	**1,010**	**327**
	3,743	**16,273**	**598**	**(3,270)**	**17,344**
Transactions with owners:					
Reserve of disposal group classified as held for sale	**–**	**(2,811)**	**–**	**–**	**(2,811)**
Realisation of revaluation reserves upon sale of a subsidiary (Note 18(b))	**(193)**	**–**	**–**	**–**	**(193)**
	(193)	**(2,811)**	**–**	**–**	**(3,004)**
At 31 December 2014	**24,666**	**(736)**	**2,259**	**(4,586)**	**21,603**

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

Group	Revaluation reserves RM'000 (Note a)	Foreign currency translation reserves RM'000 (Note b)	Available-for-sale reserves RM'000 (Note c)	Hedging reserves RM'000 (Note d)	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	–	–	–	776	776
- Continuing (Note 7)	–	–	–	779	779
- Discontinued (Note18(b))	–	–	–	(3)	(3)
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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

	Revaluation reserves RM'000 (Note a)	Available-for-sale reserves RM'000 (Note c)	Hedging reserves RM'000 (Note d)	Total RM'000
Company				
At 1 January 2014	**6,048**	**1,661**	**(1,316)**	**6,393**
Other comprehensive income:				
Revaluation surplus on property, plant and equipment	**1,030**	**–**	**–**	**1,030**
Cumulative fair value gain on available-for-sale investment securities	**–**	**787**	**–**	**787**
Net fair value changes on cash flow hedges				
- Net loss on fair value changes during the year	**–**	**–**	**(3,799)**	**(3,799)**
- Recognised in profit or loss:				
- Ineffective cash flow hedge (Note 7)	**–**	**–**	**(481)**	**(481)**
Income tax relating to components of other comprehensive income (Note 12)	**(247)**	**(189)**	**1,010**	**574**
	783	**598**	**(3,270)**	**(1,889)**
At 31 December 2014	**6,831**	**2,259**	**(4,586)**	**4,504**
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

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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

(a) Revaluation reserves

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

(d) Hedging reserves

The 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

In accordance with the Finance Act 2007, effective from 1 January 2014, the Company may distribute dividends out of its entire retained earnings as at 31 December 2014 under the single tier system. Such dividends will be exempted from tax in the hands of the shareholders.

33. Deferred tax

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January (as previously stated)	**(3,677)**	(4,866)	**(2,944)**	(4,241)
Effect of adoption of IC Interpretation 20	**–**	(417)	**–**	–
At 1 January (as restated)	**(3,677)**	(5,283)	**(2,944)**	(4,241)
Recognised in profit or loss (Note 12)	**1,225**	1,011	**1,024**	1,104
Recognised in other comprehensive income (Note 12)	**(327)**	595	**(574)**	193
Sale of a subsidiary (Note 18 (b))	**(110)**	–	**–**	–
At 31 December	**(2,889)**	(3,677)	**(2,494)**	(2,944)

Presented after appropriate offsetting as follows:

Deferred tax assets	**(3,981)**	(4,669)	**(2,494)**	(2,944)
Deferred tax liabilities	**1,092**	992	**–**	–
	(2,889)	(3,677)	**(2,494)**	(2,944)

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

33. Deferred tax (cont'd)

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

Deferred tax liabilities

Group	Available-for-sale reserves RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2014	**525**	**6,108**	**6,633**
Recognised in profit or loss	**–**	**122**	**122**
Recognised in other comprehensive income (Note 31)	**189**	**494**	**683**
Sale of a subsidiary (Note 18 (b))	**–**	**(110)**	**(110)**
At 31 December 2014	**714**	**6,614**	**7,328**
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 (Note 31)	525	496	1,021
At 31 December 2013	525	6,108	6,633
Company			
At 1 January 2014	**525**	**3,085**	**3,610**
Recognised in profit or loss	**–**	**301**	**301**
Recognised in other comprehensive income (Note 31)	**189**	**247**	**436**
At 31 December 2014	**714**	**3,633**	**4,347**
At 1 January 2013	–	2,715	2,715
Recognised in profit or loss	–	262	262
Recognised in other comprehensive income (Note 31)	525	108	633
At 31 December 2013	525	3,085	3,610

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

33. Deferred tax (cont'd)

Deferred tax assets

Group	Receivables RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
At 1 January 2014	**(3,912)**	**(5,787)**	**(611)**	**(10,310)**
Recognised in profit or loss	**710**	**246**	**147**	**1,103**
Recognised in other comprehensive income (Note 31)	**–**	**–**	**(1,010)**	**(1,010)**
At 31 December 2014	**(3,202)**	**(5,541)**	**(1,474)**	**(10,217)**
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 (Note 31)	–	–	(426)	(426)
At 31 December 2013	(3,912)	(5,787)	(611)	(10,310)

Company	Receivables RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
At 1 January 2014	**(3,914)**	**(2,029)**	**(611)**	**(6,554)**
Recognised in profit or loss	**710**	**(134)**	**147**	**723**
Recognised in other comprehensive income (Note 31)	**–**	**–**	**(1,010)**	**(1,010)**
At 31 December 2014	**(3,204)**	**(2,163)**	**(1,474)**	**(6,841)**
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 (Note 31)	–	–	(440)	(440)
At 31 December 2013	(3,914)	(2,029)	(611)	(6,554)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

34. Derivative financial instruments

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

	Group/Company	
	Assets	Liabilities
At 31 December 2014	RM'000	RM'000
Interest rate swap contract	–	**56**
Forward currency contracts	–	**5,661**
Forward commodity contracts	–	**422**
	–	**6,139**
Current	–	**5,661**
Non-current	–	**478**
At 31 December 2013		
Interest rate swap contracts	–	158
Forward currency contracts	–	2,284
	–	2,442
Current	–	2,329
Non-current	–	113

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) Forward currency contracts entered into for the purpose of managing 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 commodity contracts entered into for the purpose of managing commodity price 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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

34. Derivative financial instruments (cont'd)

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

At 31 December 2014

(i) Cash flow hedges

Forward currency contracts designated as hedges to manage its foreign currency risk on expected future sales receivables in United States Dollar (USD):

Sell USD (in million)	Range of maturity period	Average exchange rate RM/USD
53.4	From January 2015 to May 2015	3.4047

A fair value loss of RM5,612,000 with a deferred tax benefit of RM1,347,000 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 contracts were assessed to be ineffective. Accordingly, a fair value loss of RM47,000 with a deferred tax benefit of RM11,000 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	April 2015	3.5226

A fair value loss of RM2,000 with a deferred tax benefit of RM500 in respect of these contracts that relate to ineffective hedges has been recognised in profit or loss.

(ii) Interest rate swap contract

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 2016	3 months London Inter-bank Offer Rate	0.70%

A fair value loss of RM56,000 with a deferred tax benefit of RM13,000 relating to the interest rate swap contract has been recognised in profit or loss.

(iii) Forward commodity contracts

Forward commodity contracts designated as hedges to manage its commodity price risk for fuel used for operations:

Contract amount (USD million)	Range of maturity period	Average price
1.6	From January 2015 to January 2016	USD344 per tonne

A fair value loss of RM422,000 with a deferred tax benefit of RM101,000 on such contracts that relate to effective hedges has been included in the hedging reserves (Note 31) in respect of these contracts.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

34. Derivative financial instruments (cont'd)

At 31 December 2013

(i) Cash flow hedges

Forward currency contracts designated as hedges to manage its foreign currency risk on expected future sales receivables 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 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.

(ii) Interest rate swap contract

Interest rate swap contracts 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 months London Inter-bank Offer Rate	2.47%
(ii) 12.0	March 2016	3 months 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.

35. Capital commitments

	Group		Company	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Capital expenditure:				
Approved and contracted for:				
- Investment in an associate	–	11,269	–	11,269
- Property, plant and equipment	**2,697**	1,902	**2,697**	1,416
	2,697	13,171	**2,697**	12,685
Approved but not contracted for:				
- Property, plant and equipment	**19,000**	1,203	–	–

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

36. Contingent liabilities

To the best of their knowledge, there were no outstanding contingent liabilities for the Group and the Company at the reporting date.

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	2014 RM'000	2013 RM'000
Associates/joint ventures:			
- Sales of products	(i)	**47,244**	47,283
- Interest income	(ii)	**147**	823
- Reversal of interest charged to a joint venture		**692**	–
Consulting fees paid to a director of a subsidiary		**60**	60
Secretarial fees paid to a foreign subsidiary's director		**–**	32

Company	Note	2014 RM'000	2013 RM'000
Subsidiaries:			
- Purchases of products	(iii)	**152,821**	150,570
- Interest income	(ii)	**505**	530
- Management fee received		**2,400**	2,400
- Advances received		**–**	14,300
- Advances given	(iv)	**870**	82,897
- Repayment of advances received		**–**	14,300
- Rental paid		**1,796**	1,796
- Interest expense		**–**	110
- Dividend		**10,890**	32,670
- Reversal of interest charged to a subsidiary		**–**	24,494
Associates/joint ventures:			
- Sales of products	(i)	**47,244**	47,283
- Interest income	(ii)	**147**	823
- Waiver on advances received from a joint venture		**8,291**	9,817
- Shareholders' loans	(v)	**–**	465
- Advances received	(vi)	**–**	9,113
- Dividend		**29,343**	17,278
- Reversal of interest charged to a joint venture		**692**	–

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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 to 90 days.

(ii) Interest income are receivable in respect of amounts due from certain subsidiary, 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 transactions are repayable on demand.

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

(v) Shareholders' loans comprise an unsecured interest bearing term loan given to a joint venture as disclosed in Note 24(i).

(vi) Advances received from a joint venture are non-interest bearing and repayable on demand.

Information regarding outstanding balances arising from related party transactions as at 31 December 2013 and 2014 are disclosed in Notes 24 and 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	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits	**6,506**	5,685	**5,783**	5,073
- Continuing	**6,503**	5,673	**5,783**	5,073
- Discontinued	**3**	12	**–**	–
Post-employment benefits:				
- Defined contribution plan	**726**	816	**646**	744
- Continuing	**726**	816	**646**	744
- Discontinued	**–**	–	**–**	–
	7,232	6,501	**6,429**	5,817

Included in the total compensation of key management personnel was:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 4)	**1,555**	1,843	**1,482**	1,762
- Continuing	**1,552**	1,831	**1,482**	1,762
- Discontinued	**3**	12	**–**	–

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

At 31 December 2014

Notional Amount (USD Million)	:	7.5
Maturity Period	:	March 2016
Receive Floating Interest Rate	:	3 months London Inter-bank Offer Rate
Pay Fixed Interest Rate	:	0.70%

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%

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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 or loss net of tax through the impact on interest income from bank deposits and interest expense on floating rate borrowings at the reporting date:

	Increase (+)/ Decrease (-) in basis point	(Decrease)/ Increase in profit net of tax RM'000
At 31 December 2014		
- Malaysian Ringgit	**+25**	**(349)**
	-25	**349**
- United States Dollar	**+25**	**(81)**
	-25	**81**
At 31 December 2013		
- Malaysian Ringgit	+25	(247)
	-25	247
- United States Dollar	+25	(263)
	-25	263

(b) Foreign currency risk

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

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

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

At the reporting date, approximately:

(i) 89% (2013: 94%) of the Group's trade and other receivables as well as 58% (2013: 57%) 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) 9% (2013: 4%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar and Indonesia Rupiah.

(iii) 15% (2013: 38%) of the Group's borrowings are denominated in United States Dollar.

At 31 December 2014, the Group held forward currency contracts designated as hedges to manage its foreign currency risk on expected future sales receivables in United States Dollar for actual and highly probable forecasted transactions.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

(b) Foreign currency risk (cont'd)

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 ineffective contracts recognised in profit or loss for the financial year ended 31 December 2014 was RM49,000 (2013: RM529,000) (see Note 34(i)).

The cash flow hedges of certain contracts were assessed to be highly effective and a net unrealised loss of RM5,612,000 (2013: net unrealised loss of RM1,755,000) with a deferred tax benefit of RM1,347,000 (2013: deferred tax benefit of RM439,000) relating to the hedging instruments is included in other comprehensive income (see Note 34(i)).

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar ("USD") and Indonesia Rupiah ("IDR") against the respective functional currencies of the Group entities, with all other variables held constant, of the Group's profit or loss net of tax and equity at the reporting date:

		2014		2013	
		(Decrease)/ Increase in profit net of tax	(Decrease)/ Increase in equity	(Decrease)/ Increase in profit net of tax	(Decrease)/ Increase in equity
		RM'000	RM'000	RM'000	RM'000
USD/RM	strengthened by 5%	**(12,201)**	**(7,991)**	(13,093)	(11,891)
	weakened by 5%	**3,782**	**7,991**	10,460	11,777
IDR/USD	strengthened by 5%	**(1)**	**(1)**	1,418	1,418
	weakened by 5%	**1**	**1**	(1,567)	(1,567)

(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 financing, 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.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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	Over 5 years RM'000	Total RM'000
At 31 December 2014					
Financial assets:					
Non-derivative					
Trade and other receivables	24	103,458	2,626	3,356	109,440
Accretion of interest on advances to a joint venture		675	3,197	527	4,399
Cash, bank balances and deposits	26	118,311	–	–	118,311
Total undiscounted financial assets		222,444	5,823	3,883	232,150
Financial liabilities:					
Non-derivative					
Borrowings	28	335,921	5,208	–	341,129
Interest payable on borrowings		804	42	–	846
Trade and other payables	29	81,225	–	–	81,225
Derivative					
Interest rate swap contract	34	–	56	–	56
Forward currency contracts	34	5,661	–	–	5,661
Forward commodity contracts	34	–	422	–	422
Total undiscounted financial liabilities		423,611	5,728	–	429,339
Total net undiscounted (financial liabilities)/ financial assets		(201,167)	95	3,883	(197,189)

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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	Over 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
Accretion of interest on advances to a joint venture		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 and other payables	29	98,649	–	–	98,649
Derivative					
Interest rate swap contracts	34	45	113	–	158
Forward currency 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)

Company	Note	Within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2014					
Financial assets:					
Non-derivative					
Trade and other receivables	24	**119,868**	**2,626**	**3,356**	**125,850**
Accretion of interest on advances to a joint venture		**675**	**3,197**	**527**	**4,399**
Cash, bank balances and deposits	26	**74,390**	**–**	**–**	**74,390**
Total undiscounted financial assets		**194,933**	**5,823**	**3,883**	**204,639**

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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	Over 5 years RM'000	Total RM'000
At 31 December 2014					
Financial liabilities:					
Non-derivative					
Borrowings	28	**335,921**	**5,208**	**–**	**341,129**
Interest payable on borrowings		**804**	**42**	**–**	**846**
Trade and other payables	29	**77,368**	**–**	**–**	**77,368**
Derivative					
Interest rate swap contract	34	**–**	**56**	**–**	**56**
Forward currency contracts	34	**5,661**	**–**	**–**	**5,661**
Forward commodity contracts	34	**–**	**422**	**–**	**422**
Total undiscounted financial liabilities		**419,754**	**5,728**	**–**	**425,482**
Total net undiscounted (financial liabilities)/ financial assets		**(224,821)**	**95**	**3,883**	**(220,843)**
At 31 December 2013					
Financial assets:					
Non-derivative					
Trade and other receivables	24	80,990	7,520	–	88,510
Accretion of interest on advances to a joint venture		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
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
Forward currency 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)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 2014			
Financial guarantee	**1,000**	**–**	**1,000**
At 31 December 2013			
Financial guarantee	1,000	–	1,000
Company			
At 31 December 2014			
Financial guarantee	**1,000**	**–**	**1,000**
At 31 December 2013			
Financial guarantees	10,866	–	10,866

(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.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

(d) Credit risk (cont'd)

The Group has a concentration of credit risk that may arise from exposures to a single debtor which constitutes approximately 14.0% (2013: 9.4%) of its trade receivables and 52.1% (2013: 44.5%) 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:

	2014		2013	
Group	**RM'000**	**% of total**	**RM'000**	**% of total**
By country:				
Australia	**8,712**	**8**	5,411	7
China, including Hong Kong and Taiwan	**11,108**	**10**	10,117	13
Indonesia	**3,979**	**4**	8,601	11
Malaysia	**17,829**	**16**	10,419	14
South Africa	**15,232**	**14**	8,598	11
United Kingdom	**4,136**	**4**	1,635	2
Austria	**–**	**–**	9,249	13
Germany	**8,139**	**7**	7,592	10
Others	**40,305**	**37**	14,025	19
	109,440	**100**	75,647	100

	2014		2013	
Company	**RM'000**	**% of total**	**RM'000**	**% of total**
By country:				
Australia	**8,712**	**7**	5,411	6
China, including Hong Kong and Taiwan	**11,108**	**9**	10,117	11
Indonesia	**3,900**	**3**	4,537	5
Malaysia	**34,318**	**27**	27,349	31
South Africa	**15,232**	**12**	8,598	10
United Kingdom	**4,136**	**3**	1,635	2
Austria	**–**	**–**	9,249	10
Germany	**8,139**	**6**	7,592	9
Others	**40,305**	**33**	14,022	16
	125,850	**100**	88,510	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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 on revenue for sales of tin as well as production cost for fuel consumed in the operations.

The commodity price risk on revenue for sales of tin is managed through contractual arrangements with customers and forward commodity contracts. At the reporting date, there was no such contract outstanding.

The commodity price risk on production cost for fuel is managed through forward commodity contracts. The terms of the forward commodity 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 cash flow hedges of certain contracts were assessed to be highly effective and a net unrealised loss of RM422,000 with a deferred tax benefits of RM101,000 relating to the hedging instruments is included in other comprehensive income (see Note 34(iii)).

The following table demonstrates the sensitivity to a reasonably possible change in the commodity price, with all other variables held constant, of the Group's profit or loss net of tax and equity at the reporting date:

		2014	
		Increase/ (Decrease) in profit net of tax	**Increase/ (Decrease) in equity**
		RM'000	**RM'000**
Fuel price	increased by 5%	**(116)**	**201**
	decreased by 5%	**(517)**	**(201)**

(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 RM296,000 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 RM296,000 lower.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

(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	
	2014	**2013**
	RM'000	**RM'000**
Share capital	**100,000**	100,000
Share premium	**76,372**	76,372
Other reserves	**21,603**	7,263
Retained earnings	**35,946**	46,102
Reserve of disposal group classified as held for sale	**–**	(6,969)
Total shareholders' equity	**233,921**	222,768
Non-controlling interests	**301**	(42,112)
Total equity	**234,222**	180,656
Total borrowings (Note 28)	**341,129**	368,676
Gearing ratio as defined above	**1.5**	2.0

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		RM'000	RM'000	RM'000	RM'000
At 31 December 2014					
Assets measured at fair value:					
Available-for-sale investment securities (Note 20)					
- Equity instruments (quoted)	31 Dec 2014	**7,792**	–	–	**7,792**
Revalued freehold land and buildings (Note 15)					
- Land and tin smelting industrial complex in Butterworth	31 Dec 2014	–	–	**32,429**	**32,429**
- Office lots in Kuala Lumpur	31 Dec 2014	–	–	**5,800**	**5,800**
- 80 units flats in Bukit Mertajam	31 Dec 2014	–	–	**4,176**	**4,176**
- Land and buildings in Daerah Hulu Perak	31 Dec 2014	–	–	**2,399**	**2,399**
		7,792	–	**44,804**	**52,596**

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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

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

		Group			
	Date of valuation	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		RM'000	RM'000	RM'000	RM'000
At 31 December 2014					
Liabilities measured at fair value:					
Derivative financial liabilities (Note 34)					
- Forward currency contracts	31 Dec 2014	**–**	**5,661**	**–**	**5,661**
- Interest rate swap contract	31 Dec 2014	**–**	**56**	**–**	**56**
- Forward commodity contracts	31 Dec 2014	**–**	**422**	**–**	**422**
		–	**6,139**	**–**	**6,139**
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

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

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

		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					
Liabilities measured at fair value:					
Derivative financial liabilities (Note 34)					
- Forward currency contracts	31 Dec 2013	–	2,284	–	2,284
- Interest rate swap contracts	31 Dec 2013	–	158	–	158
		–	2,442	–	2,442

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

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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

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

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).

Description	Fair value RM'000	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Group					
At 31 December 2014					
Revalued freehold land and buildings (Note 15)	44,804	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 RM400,000.
At 31 December 2013					
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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 2014	**21,906**	**19,955**
Additions	**–**	**102**
Transfer in	**–**	**418**
Revaluation adjustments	**2,754**	**813**
Depreciation charge for the year	**–**	**(707)**
Elimination of accumulated depreciation on revaluation	**–**	**642**
Sale of a subsidiary	**–**	**(1,052)**
Exchange differences	**–**	**(27)**
At 31 December 2014	**24,660**	**20,144**
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 2013/1 January 2014/31 December 2014	–

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 December 2014.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 December 2014

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.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

40. Segmental information (cont'd)

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.

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 Operations) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
2014							
Revenue							
Sales to external customers		1,915,179	–	–	–	–	1,915,179
Inter-segment sales		3	152,821	1,796	–	(154,620)	–
Total revenue		1,915,182	152,821	1,796	–	(154,620)	1,915,179
Results							
Profit/(Loss) from operations		49,259	30,203	(9,000)*	(32,630)	33,207	71,039
Impairment losses		1,025	–	(10,425)	–	–	(9,400)
Finance costs		(11,658)	(350)	(2,644)	–	–	(14,652)
Share of results of associates and joint ventures		–	–	(1,995)	–	–	(1,995)
Profit/(Loss) before tax from continuing operations		38,626	29,853	(24,064)	(32,630)	33,207	44,992
Income tax expense		(13,929)	(7,989)	(270)	–	(144)	(22,332)
Profit/(Loss) from continuing operations, net of tax		24,697	21,864	(24,334)	(32,630)	33,063	22,660
Loss from discontinued operations							(32,630)
Loss for the year							(9,970)

*Includes the full provision for financial guarantee of USD3.0 million (RM9.64 million).

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 Operations) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2014							
Assets							
Segment assets		510,218	100,840	3,603	–	(1,292)	613,369
Investment in associates and joint ventures		–	–	71,318	–	–	71,318
Total assets		510,218	100,840	74,921	–	(1,292)	684,687
Liabilities							
Segment liabilities		430,791	19,574	549	–	(449)	450,465
2014							
Other segment information							
Additions of non-current assets							
- Property, plant and equipment	15	7,165	1,876	–	–	–	9,041
- Prepaid land lease payments	16	–	200	–	–	–	200
- Intangible and other assets	17/21	215	5,049	–	–	–	5,264
Depreciation	4	3,020	3,123	–	75	–	6,218
Amortisation of prepaid land lease payments	4	27	6	–	9	–	42
Amortisation of mining rights	4	–	893	–	–	–	893
Amortisation of corporate club membership	4	2	5	40	–	–	47
Amortisation of deferred mine exploration and evaluation expenditure and deferred mine development expenditure	4	–	839	–	–	–	839
Other significant non-cash expenses/(income):							
- Write down of inventories	4	3,200	–	–	–	–	3,200
- Reversal of provision for severance benefits, net	4	–	95	(61)	(378)	–	(344)
Interest income	6	(5,948)	(1,208)	–	–	–	(7,156)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 Operations) 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	34,016	174	(18,373)	17,762	111,386
Impairment losses		(1,173)	(9,133)	2,257	(17,766)	17,766	(8,049)
Finance costs		(9,541)	(157)	(3,297)	(705)	705	(12,995)
Share of results of associates and joint ventures		(1,274)	–	(18,449)	–	–	(19,723)
Profit/(Loss) before tax from continuing operations		65,819	24,726	(19,315)	(36,844)	36,233	70,619
Income tax expense		(12,758)	(9,896)	(298)	–	152	(22,800)
Profit/(Loss) from continuing operations, net of tax		53,061	14,830	(19,613)	(36,844)	36,385	47,819
Loss from discontinued operations							(36,844)
Profit for the year							10,975

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 Operations) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2013							
Assets							
Segment assets		486,071	91,916	(755)	125,679	(1,724)	701,187
Investment in associates and joint ventures		–	–	107,426	–	–	107,426
Total assets		486,071	91,916	106,671	125,679	(1,724)	808,613
Liabilities							
Segment liabilities		456,058	27,997	1,305	143,046	(449)	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	2,643	–	1,637	–	6,902
Amortisation of prepaid land lease payments	4	27	3	–	28	–	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	–	–	–	7,404	–	7,404
- Provision for severance benefits, net	4	–	(144)	24	1,352	–	1,232
Interest income	6/22	(6,788)	(1,758)	–	(23)	–	(8,569)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

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 2014 RM'000	Group 2013 RM'000
Elimination of unrealised profits/(losses) on the inventories on hand arising from inter-segment purchases	**577**	(611)

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

	Group 2014 RM'000	Group 2013 RM'000
Elimination of unrealised losses on the inventories on hand and its deferred tax arising from inter-segment purchases	**(843)**	(1,275)
Elimination of inter-segment rental deposit	**(449)**	(449)
	(1,292)	(1,724)

Geographical Information

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

	Malaysia RM'000	Indonesia (Discontinued operations) RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
2014				
Revenue				
Sales to external customers	**1,915,179**	**–**	**–**	**1,915,179**
At 31 December 2014				
Non-current assets	**112,630**	**–**	**–**	**112,630**

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

40. Segmental information (cont'd)

Geographical Information (cont'd)

	Malaysia RM'000	Indonesia (Discontinued operations) 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
At 31 December 2013				
Non-current assets	102,103	3,075	(3,075)	102,103

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 RM452,526,000 (2013: RM252,338,000), arising from sales by the tin smelting segment.

41. Significant events

The following significant events occurred during the financial year ended 31 December 2014:

(a) 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").

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 tin mining.

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.

After the acquisition, SL Tin became an 80% owned subsidiary of RHT.

(b) On 1 June 2014, the Company entered into a sale and purchase agreement with Berkeley Kensington Group Limited to sell its entire interest in BCL Group ((comprising BCL, Kajuara Mining Corporation Pty. Ltd. ("KMC"), PT Koba Tin ("Koba Tin") and PT Bangka Resources ("PT Bangka")) for a total consideration of USD1.00 million (RM3.24 million based on RM/USD exchange rate of RM3.236).

On the same day, the Company also entered into a sale and purchase agreement with PT Bangka Timah Utama and Mr. Eddy Dayanto to sell its entire interest in PT MSCI for a consideration of USD1.00.

Following the above sales which were completed on 2 June 2014, BCL, KMC, Koba Tin, PT Bangka and PT MSCI ceased to be subsidiaries of the Group.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 December 2014

42. Subsequent event

There was no significant event which has occurred subsequent to the end of the financial year ended 31 December 2014 to the date of the Directors' Report.

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 2013 has been changed to present the performance of continuing operations and discontinued operations separately.

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 18 March 2015.

Supplementary Information

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 2014 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	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- Realised	**25,071**	(12,348)	**84,551**	33,356
- Unrealised	**2,265**	(3,247)	**(2)**	(2,450)
	27,336	(15,595)	**84,549**	30,906
Total share of (accumulated losses)/ retained earnings from associated companies:				
- Realised	**(6,675)**	(6,925)	**–**	–
- Unrealised	**298**	298	**–**	–
Total share of retained earnings/(accumulated losses) from joint ventures:				
- Realised	**20,016**	22,742	**–**	–
- Unrealised	**(11,545)**	(11,541)	**–**	–
	29,430	(11,021)	**84,549**	30,906
Add: Consolidation adjustments	**6,516**	57,123	**–**	–
Retained earnings as per financial statements	**35,946**	46,102	**84,549**	30,906

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 (31 December 2013: RM28,067,000; 31 December 2014: RM11,133,000) were adjusted to retained earnings.

(b) 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 2013: RM133,356,000; 31 December 2014: RM133,356,000) were adjusted to retained earnings.

Reconciliations of MFRSs with Singapore FRSs (cont'd)

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 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 (b) 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)

Reconciliation of equity as at 31 December 2014

Group	MFRS as at 31.12.2014 RM'000	Note (a) Foreign currency translation reserves RM'000	Singapore FRS as at 31.12.2014 RM'000
Equity			
Foreign currency translation reserves	**(736)**	**(11,133)**	**(11,869)**
Retained earnings	**35,946**	**11,133**	**47,079**

Company	MFRS as at 31.12.2014 RM'000	Note (b) Investment in subsidiaries RM'000	Singapore FRS as at 31.12.2014 RM'000
Non-current assets			
Investment in subsidiaries	**148,681**	**(133,356)**	**15,325**
Equity			
Retained earnings/(Accumulated losses)	**84,549**	**(133,356)**	**(48,807)**

List of Properties of the Group - 31 December 2014

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net carrying amount at 31.12.14 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	–	10 to over 50 years	32,411	2014
(b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	27 years	320	2014
(c) PT 686	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2069	NA	119	2014
2. Unit No. B-15-11 Megan Avenue II 12, Jln Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	15 years	2,800	2014
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	–	15 years	3,000	2014
4. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	14 years	4,176	2014
5. Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 47 years	242	2014
(b) Lot 2071, PT 3934, 4338, 4440, 4441, 4442, 4522 & 4523 (formerly Lot 4160)	Land with buildings	7.02 hectares	Leasehold	2068 - 2112	33 to over 50 years	1,505	2014
(c) PT 1705,1706 & 1707	3 units of terrace houses	417 sq. m	Leasehold	2108	4 years	450	2014
(d) PT 5022 & 5026	2 units of semi-detached houses	526 sq. m	Freehold	–	1 year	600	2014
6. Mukim Belukar Semang Daerah Hulu Perak							
(a) Lot 1886	Vacant Land	0.4 hectares	Freehold	–	–	16	2014
(b) PT 725, 726, 727	Land with buildings	7.01 hectares	Leasehold	2022	–	4	2014

Tin Statistics

Deliveries of Refined Tin From Penang

(Tonnes Refined Tin by reported destination)

Destination	2009	2010	2011	2012	2013	2014
Africa	220	65	380	181	245	**242**
Australia & New Zealand	66	–	5	6	44	**–**
China	806	315	1,325	2,755	1,590	**316**
E.E.C. (incl. UK)	1,534	2,290	2,467	1,435	2,077	**2,479**
India, Pakistan & Bangladesh	811	240	3,140	3,420	4,073	**4,459**
Japan	1,650	1,669	1,633	1,819	1,988	**3,348**
Middle East	363	510	687	722	261	**266**
Taiwan	1,596	1,809	1,291	1,169	1,534	**1,394**
Korea	8,482	9,079	7,905	6,870	7,261	**7,780**
Rest of Asia Pacific	150	360	180	130	–	**240**
Singapore	3,175	1,300	380	1,910	795	**100**
South America	–	–	500	–	25	**325**
U.S.A.	93	14	1,060	1,900	3,850	**5,165**
	18,946	**17,651**	**20,953**	**22,317**	**23,743**	**26,114**
Malaysia (for domestic consumption) * Include tin deliveries to LME warehouses in Pasir Gudang.	17,797	21,517	18,504	15,696	9,349	**9,037**
Total	**36,743**	**39,168**	**39,457**	**38,013**	**33,092**	**35,151**

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

PERIOD END	LME STOCKS *	DLA STOCKS #	
2014		Opening stock at 01.01.2014	4,020
1st. Quarter	9,555		
2nd Quarter	11,385	Disposal during the year	–
3rd Quarter	8,595		
4th Quarter	12,045	Closing stock at 31.12.2014	4,020

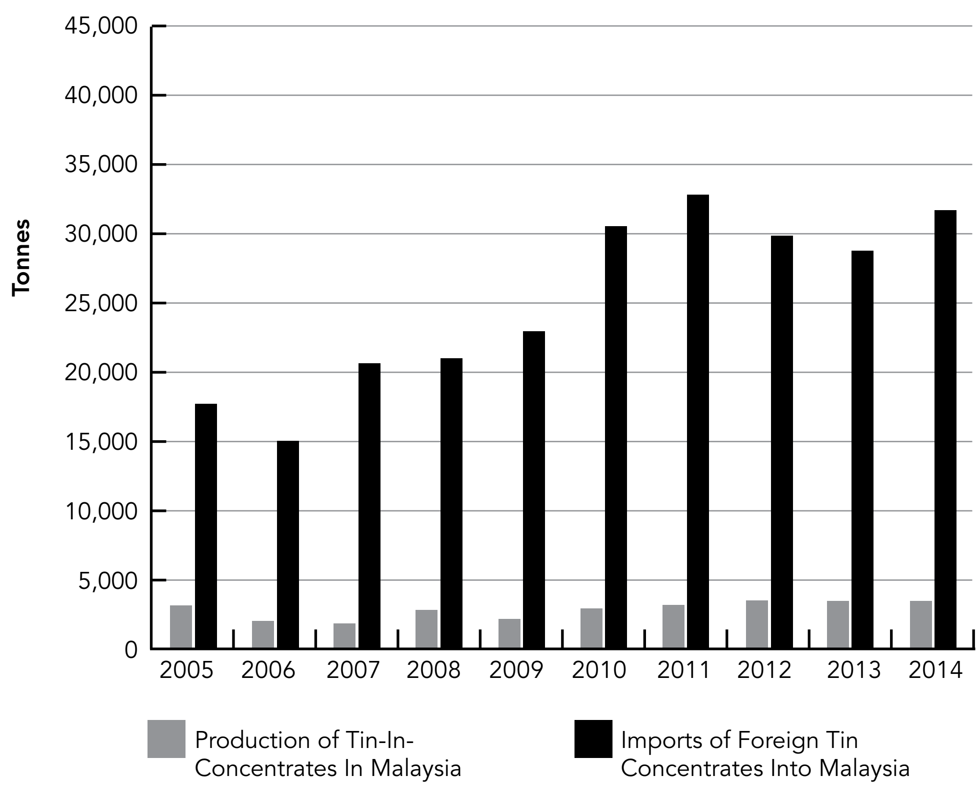
Sources : * Metal Bulletin
US Geological Survey - uncommitted stock

Tin Statistics (Cont'd)

Production of Tin-In-Concentrates In Malaysia	
Year	Tonnes
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	3,688
2014	3,569 (est.)

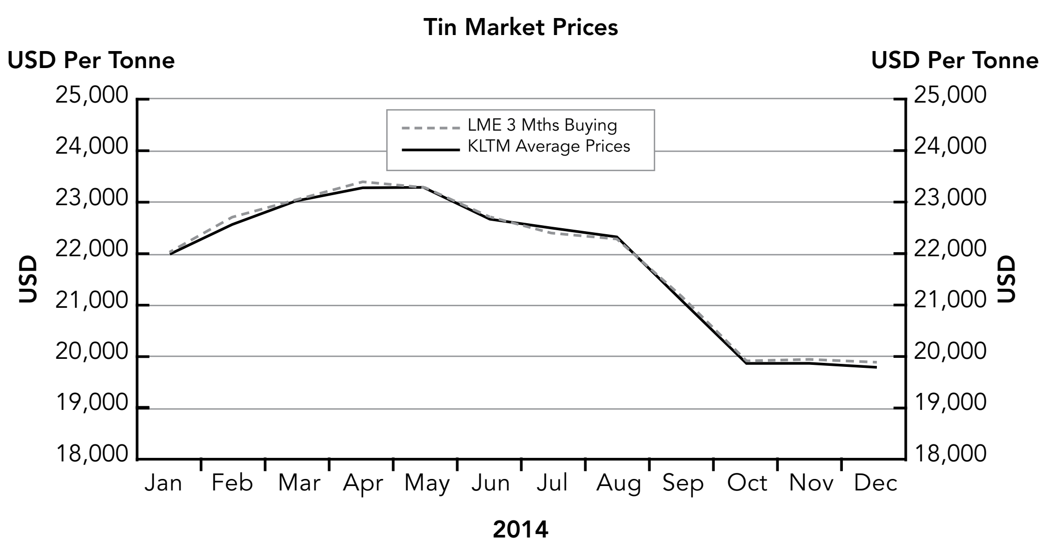
Imports of Foreign Tin Concentrates Into Malaysia	
Year	Tonnes
2005	17,708
2006	15,064
2007	20,643
2008	20,987
2009	22,928
2010	31,359
2011	33,031
2012	29,719
2013	28,328
2014	31,915

Malaysia Production and Import of Tin-In-Concentrates



Tin Statistics (Cont'd)

	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
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
2014	**23,680**	**18,300**	**21,895**	**10,826**	**21,889**
2014					
January	22,500	21,650	22,007	920	22,032
February	23,450	22,020	22,658	849	22,757
March	23,350	22,850	23,025	638	23,054
April	23,680	22,850	23,266	739	23,334
May	23,540	22,895	23,269	828	23,230
June	23,350	22,400	22,801	676	22,756
July	22,930	22,100	22,531	1,022	22,394
August	22,700	21,960	22,356	1,017	22,306
September	21,850	20,400	21,175	988	21,123
October	20,450	19,300	19,931	948	19,911
November	20,250	19,600	19,923	1,092	19,963
December	20,350	18,300	19,797	1,109	19,809



Shareholdings Statistics
(as at 13 March 2015)

ANALYSIS BY SIZE OF SHAREHOLDINGS

Holdings	No of Holders	Percentage (%)	Total Holdings	Percentage (%)
less than 100	21	0.52	493	0.00
100 to 1,000	1,809	45.24	1,187,040	1.19
1,001 to 10,000	1,651	41.29	7,232,600	7.23
10,001 to 100,000	447	11.18	13,473,367	13.47
100,001 to less than 5% of issued shares	68	1.70	27,245,700	27.25
5% and above of issued shares	3	0.07	50,860,800	50.86
TOTAL	**3,999**	**100.00**	**100,000,000**	**100.00**

THE 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	2,706,300	2.71
7.	QUARRY LANE SDN BHD	860,000	0.86
8.	NEOH CHOO EE & COMPANY SDN BERHAD	800,000	0.80
9.	2G CAPITAL PTE LTD	697,500	0.70
10.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD.AJIB BIN HJ.ANUAR	659,000	0.66
11.	TOH YEW KEONG	650,000	0.65
12.	DYNAQUEST SDN BERHAD	600,000	0.60
13.	AU YONG MUN YUE	575,000	0.58
14.	LIM KHOON	535,200	0.54
15.	LEE PIN	517,700	0.52
16.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	449,700	0.45
17.	KUEK SIAW KIA @ QUEK SHIEW POH	417,500	0.42
18.	TOH YEW KEONG	410,000	0.41
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	403,800	0.40

Shareholdings Statistics (Cont'd)

(as at 13 March 2015)

THE 30 LARGEST SHAREHOLDERS (cont'd)

	Name	Holdings	%
20.	CHEW GEK KHIM	400,000	0.40
21.	VISION CAPITAL PRIVATE LIMITED	400,000	0.40
22.	LEE CHEOW YIN	388,000	0.39
23.	SYNERGY MOTION SDN BHD	359,000	0.36
24.	WONG AH WAH @ WONG FONG FUI	350,000	0.35
25.	AU YONG MUN YUE	350,000	0.35
26.	TAN LEE HWA	338,000	0.34
27.	YEOH AH TU	300,000	0.30
28.	CARTABAN NOMINEES (TEMPATAN) SDN BHD FOR AXA AFFIN GENERAL INSURANCE BERHAD	300,000	0.30
29.	LIM GAIK BWAY @ LIM CHIEW AH	297,800	0.30
30.	REDRING SOLDER (MALAYSIA) SDN BHD	285,000	0.29

LIST OF SUBSTANTIAL SHAREHOLDERS
as at 13 March 2015

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 Shareholdings %

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held at Kuang Room, Hotel Equatorial Penang, Jalan Bukit Jambul, Penang, Malaysia on Monday, 27 April 2015 at 10.30 a.m. 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 – Mr Chew Hoy Ping		
3	Re-election of Director – Ms Gee Siew Yoong		
4	Re-election of Director – Ms Maggie Yeo Sock Koon		
5	Retention of Independent Non-Executive Director		
6	Approval of Directors' Fees		
7	Reappointment of Auditors		
8	Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

Dated this __________ day of _________ 2015.

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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