Malaysia Smelting Corporation Berhad
(43072-A)

we aim to nurture and RESPECT our communities

ANNUAL REPORT **2016**

VISION

To be a successful world-class organisation 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 organisation, 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; and
- We aim to nurture an atmosphere of continuous self-development by emphasising 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

At MSC Group, we aspire to create a world that does not only focus on the present but, more importantly, enhances our existing resources to better the future. In forging ahead, we pledge to keep inspiring further innovation and improvement as we diligently look for more responsible and sustainable ways to meet the tin consumption demands of the world and simultaneously keep giving back to help benefit humankind further.

In the previous annual report, we focused on what drives us. This year, in our second installment of a series of three covers, we showcase how we do our part in enhancing the lives of others. When placed side by side, the three covers collectively illustrate our ongoing journey in proactively creating a better tomorrow for the industry and society at large.

INSIDE THIS REPORT

ABOUT US

Corporate Information 02
Corporate Profile 04
Notice of Annual General Meeting 06

PERFORMANCE REVIEW

Group Financial Highlights 08

LEADERSHIP

Board of Directors 10
Profile of Directors 12
Key Personnel 15
Key Personnel Profile 16

PERSPECTIVE

Statement by the Chairman 20
Management Discussion & Analysis 24
Tin Market Review and Outlook 30

SUSTAINABILITY

Corporate Social Responsibility 38
Conflict Free Smelter ("CFS") Audit Report 41

GOVERNANCE

Statement on Corporate Governance 43
Additional Compliance Information 55
Audit Committee Report 56
Statement on Risk Management and Internal Control 60

FINANCIALS

Financial Statements 64
Reconciliations of MFRSs with Singapore FRSs 188
List of Properties of the Group 190

OTHERS

Tin Statistics 191
Analysis of Shareholdings 194
Enclosed Proxy Form –

CORPORATE INFORMATION

BOARD OF DIRECTORS

- Ms. Chew Gek Khim PJG
  Non-Independent Non-Executive Chairman

- Mr. Chia Chee Ming, Timothy
  Senior Independent Director

- Dato' Ng Jui Sia
  Independent Non-Executive Director

- Mr. Peter Ho Kok Wai
  Independent Non-Executive Director

- Mr. John Mathew a/l Mathai
  Independent Non-Executive Director

- Mr. Yap Chee Keong
  Non-Independent Non-Executive Director

AUDIT COMMITTEE

- Mr. Peter Ho Kok Wai (*Chairman*)
- Dato' Ng Jui Sia (*Member*)
- Mr. Yap Chee Keong (*Member*)

NOMINATING AND REMUNERATION COMMITTEE

- Mr. Chia Chee Ming, Timothy (*Chairman*)
- Mr. John Mathew a/l Mathai (*Member*)
- Ms. Chew Gek Khim (*Member*)

COMPANY SECRETARIES

- Ms. Tai Yit Chan (MAICSA 7009143)
- Ms. Tan Ai Ning (MAICSA 7015852)

KEY PERSONNEL

- Dato' Dr. Ir. Patrick Yong Mian Thong
  (Chief Executive Officer)
- Mr. Yap Fook Ping
  (*Group Chief Financial Officer*)
- Mr. Ir. Raveentiran a/l Krishnan
  (Group Chief Operating Officer, Smelting)
- Mr. Richard Thibault
  (Group Chief Operating Officer, Mining/ Senior General Manager, RHT)
- En. Madzlan Bin Zam
  (Head of Resources & Investments)
- Mr. Au Soon Yong
  (Finance Director)
- Mr. Yoon Choon Kong
  (Group General Manager, Internal Audit)
- En. Zaharuddin Bin Zainal
  (General Manager, Commercial)

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 9260/9261
Fax: (603) 2166 9245
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

SHARE REGISTRARS

- MALAYSIA

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7849 0777
Fax: (603) 7841 8151/8152

- SINGAPORE

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

AUDITORS

Ernst & Young
21st Floor, MWE Plaza
No. 8, Lebuh Farquhar
10200 George Town, Penang
Tel: (604) 264 1878
Fax: (604) 262 1812

PRINCIPAL 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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Singapore Exchange Securities Trading Limited

EMBRACING A VIBRANT WORK CULTURE

We believe that our people shape our success, which is why we make every effort to ensure that they are equipped with the right resources and a conducive workplace to enable them to develop holistically.

conducting
CAREER DEVELOPMENT PROGRAMMES

recognising
EMPLOYEE CONTRIBUTIONS

providing
REWARDS & INCENTIVES

cultivating a
SAFE WORK ENVIRONMENT

CORPORATE PROFILE

MSC – A GLOBAL INTEGRATED TIN MINING AND SMELTING GROUP

The Malaysia Smelting Corporation Berhad ("MSC" or "the Company") and its subsidiaries ("MSC Group" or "the 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 2016, the Group produced 26,802 tonnes of tin metal thus 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 ("STC") of Singapore.

The smelter has the capability of treating a wide variety of tin bearing materials.

With the Group's core expertise and solid foundation over a century of smelting excellence to its credit, the Group's smelting facility in Butterworth operates one of the most low cost 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 still uses reverberatory furnace technology. But this may change as the plant is preparing to introduce modern smelting technology using Top Submerged Lance ("TSL") furnace.

This will significantly increase the plant's smelting capacity and drive operating cost down. The refining flowsheet has undergone major changes and is currently capable of processing crude metal with a myriad of impurities.

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 ("KLTM")/London Metal Exchange ("LME") as well as the end-user markets worldwide. MSC Straits refined tin brand which is registered at KLTM and LME 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 currently the largest operating open-pit hard rock tin mine. Since the takeover, extensive exploration works and improvements of milling/concentrator circuits 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. ("Redring Solder") 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, 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 as well as forging global commercial and marketing networks to ensure its continued leadership position in the industry.

MSC will pursue its growth strategy on its core business in tin through strategic acquisitions and organic growth.

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 emphasis will be on opportunities in regions where the country risks could be effectively managed and that the mines could be developed and operated with relatively lower cost structure.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting ("AGM") of MALAYSIA SMELTING CORPORATION BERHAD (the "Company") will be held at **Merbah Room, LG Level - Main Wing, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, Malaysia** on **Wednesday, 17 May 2017** at **11.00 a.m.** for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes**)
2. To approve the payment of Final Single-Tier Dividend of 8 sen per share in respect of the financial year ended 31 December 2016. **Ordinary Resolution 1**
3. To approve the Directors' Fees of the Company and subsidiaries of RM685,000 for the financial year ended 31 December 2016. **Ordinary Resolution 2**
4. To approve the Directors' Fees and benefits payable by the Company and its subsidiaries of an aggregate amount of RM950,000 from 1 January 2017 until the next AGM of the Company. **Ordinary Resolution 3**
5. To re-elect the following Directors of the Company who are retiring under the Constitution of the Company:
   i) Ms. Chew Gek Khim **Ordinary Resolution 4**
   ii) Mr. Yap Chee Keong **Ordinary Resolution 5**
   iii) Mr. Chia Chee Ming, Timothy **Ordinary Resolution 6**
6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

As Special Business

To consider and, if thought fit, to pass the following resolution with or without modification:

7. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016**

   "THAT pursuant to Section 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue." **Ordinary Resolution 8**
8. To transact any other business of which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act 2016.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of shareholders at the Thirty-Eighth AGM, a Final Single-Tier Dividend of 8 sen per share in respect of the financial year ended 31 December 2016 will be paid to shareholders on 11 July 2017. The entitlement date for the said Dividend shall be 15 June 2017.

A Depositor shall qualify for entitlement to the Dividend only in respect of:

(a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 15 June 2017 in respect of transfers.

(b) Shares bought on Bursa Malaysia Securities Berhad on cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
Company Secretaries
Selangor Darul Ehsan
Date: 25 April 2017

NOTES:

1. *A member entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there is no restriction as to the qualification of a proxy.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with 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 48 hours before the time set for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or Adjourned AGM.*
5. *If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.*
6. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 9 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

EXPLANATORY NOTES:

1. **To receive the Audited Financial Statements**
   Agenda item no. 1 is meant for discussion only as the provision of Section 340 of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. **Proposed Renewal of Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**
   The Company had, during its Thirty-Seventh AGM held on 11 May 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Section 132D of the Companies Act 1965. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

GROUP FINANCIAL HIGHLIGHTS

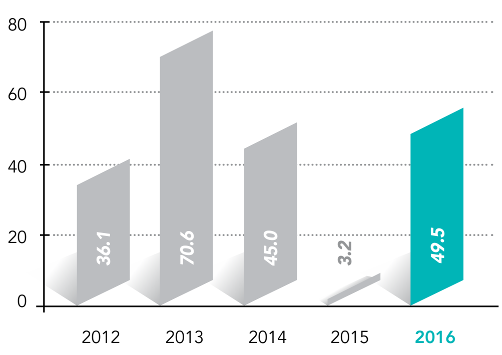
		Year ended 31 December				
		2012[1] Restated	2013[2]	2014	2015	2016
Revenue	(RM Mil)	2,185.7	1,582.0	1,915.2	1,464.9	**1,477.9**
Profit before tax - continuing operations	(RM Mil)	36.1	70.6	45.0	3.2	**49.5**
Income tax expense	(RM Mil)	(23.3)	(22.8)	(22.3)	(8.0)	**(15.2)**
(Loss)/Profit attributable to the owners of the Company	(RM Mil)	(172.3)	16.8	(9.9)	(4.8)	**34.3**
Total assets	(RM Mil)	888.1	808.6	684.7	807.0	**794.6**
Net current (liabilities)/assets	(RM Mil)	(61.1)	(11.8)	49.6	32.5	**114.0**
Equity attributable to the owners of the Company	(RM Mil)	231.4	222.8	233.9	241.0	**279.1**
(Loss)/Earnings per share	(sen)	(172)	17	(10)	(5)	**34**
Dividend declared/proposed per share	(sen)	–	–	–	–	**8**
Net assets per share attributable to the owners of the Company	(sen)	231	223	234	241	**279**
Pre-tax profit for continuing operations on average equity attributable to the owners of the Company	(%)	11	31	20	1	**19**

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

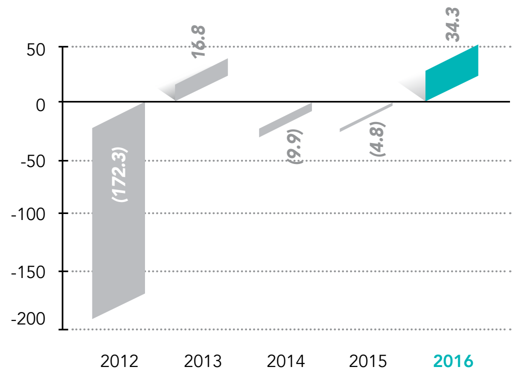
(2) Changed to present the performance of continuing operations and discontinued operations separately.

GROUP FINANCIAL HIGHLIGHTS (cont'd)

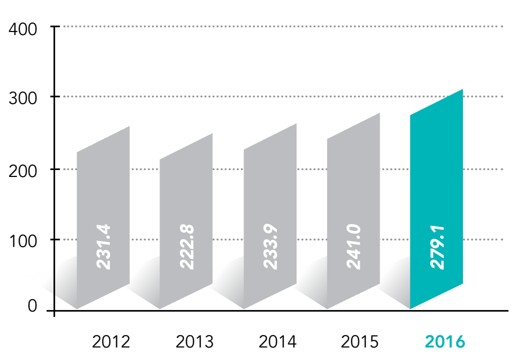
Profit before tax - continuing operations (RM Mil)



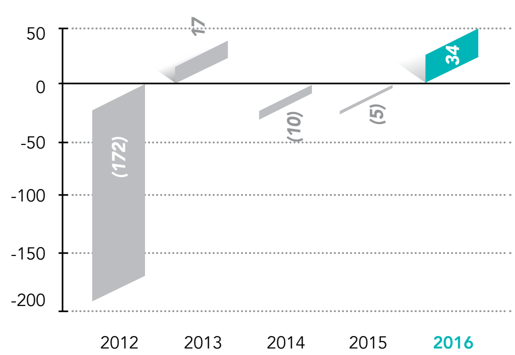
(Loss)/Profit attributable to the owners of the Company (RM Mil)



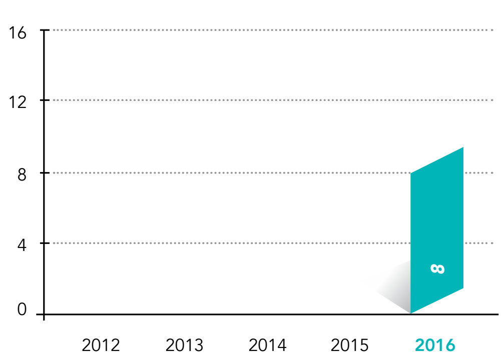
Equity attributable to the owners of the Company (RM Mil)



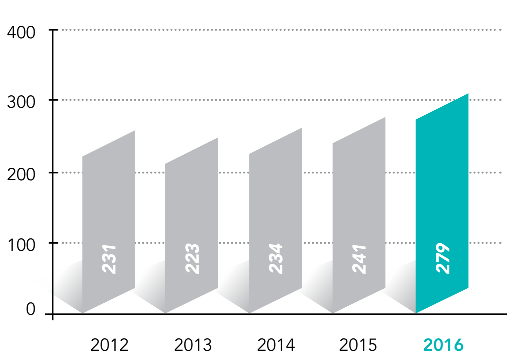
(Loss)/Earnings per share (sen)



Dividend declared/proposed per share (sen)



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



BOARD OF DIRECTORS

MR. CHIA CHEE MING, TIMOTHY
Senior Independent Director

DATO' NG JUI SIA
Independent Non-Executive Director

MS. CHEW GEK KHIM PJG
Non-Independent Non-Executive Chairman

MR. JOHN MATHEW A/L MATHAI
Independent Non-Executive Director

MR. PETER HO KOK WAI
Independent Non-Executive Director

MR. YAP CHEE KEONG
Non-Independent Non-Executive Director

PROFILE OF DIRECTORS

MS. CHEW GEK KHIM PJG

55 years, Singaporean, Female
Non-Independent Non-Executive Chairman

- *LL.B (Hons), National University of Singapore*

Ms. Chew Gek Khim was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 18 March 2016. She assumed the role as Chairman of the Company on 11 May 2016. She was also appointed as a member of both the Nominating and Remuneration Committee of the Company on 20 May 2016.

Ms. Chew is a lawyer by training. She has been Chairman of STC since 24 April 2008, first as Non-Executive and Non-Independent Chairman and then as Executive Chairman since 1 November 2009.

She is also Executive Chairman of Tecity Group, which she joined in 1987. She is Chairman of ARA Trust Management (Suntec) Limited, Deputy Chairman of ARA Asset Management Limited, and sits on the board of Singapore Exchange Securities Trading Limited.

Ms. Chew is also Deputy Chairman of Tan Chin Tuan Foundation in Singapore and Chairman of Tan Sri Tan Foundation in Malaysia. She is a Member of the Securities Industry Council of Singapore, the SSO Council and Board of Governors of S. Rajaratnam School of International Studies. She was the Chairman of the National Environment Agency Board of Singapore from 2008 to 2015. Ms. Chew was also previously a director of CapitaLand Retail China Trust (formerly CapitaRetail China Trust Management Limited) and a board member of the Singapore Totalisator Board.

She was awarded the Chevalier de l'Ordre National du Mérite in 2010, the Singapore Businessman of the Year 2014 in 2015 and the Meritorious Service Medal at the National Day Award in 2016.

Ms. Chew does not hold any other directorship in other public companies and listed issuers in Malaysia.

MR. CHIA CHEE MING, TIMOTHY

67 years, Singaporean, Male
Senior Independent Director

- *Bachelor of Science cum laude, majoring in Management, Farleigh Dickinson University, United States of America*

Mr. Chia Chee Ming, Timothy was appointed as an Independent Non-Executive Director of the Company on 19 May 2016. He has been re-designated as Senior Independent Director of the Company with effect from 24 February 2017. He was also appointed as the Chairman of both the Nominating and Remuneration Committee of the Company on 20 May 2016.

Mr. Chia is an Independent and Non-Executive Director and Lead Independent Director of STC.

He is the Chairman of Hup Soon Global Corporation Private Limited. He sits on the boards of several other private and public companies, including Banyan Tree Holdings Ltd., Fraser and Neave Limited, Singapore Power Limited, Vertex Venture Holdings Ltd., Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC. He is a Member of the Board of Trustees of the Singapore Management University, an Advisory Council Member of the ASEAN Business Club and a Member of the Advisory Board of the Asian Civilisations Museum.

Mr. Chia was the former Chairman – Asia for Coutts & Co Ltd., the private banking arm of the Royal Bank of Scotland Group. From 1986 to 2004, he was a director of PAMA Group where he was responsible for private equity investments and served as president from 1995 to 2004. He was previously a director of SP PowerAssets Limited, PowerGas Limited, InnoTek Limited, and a senior advisor to EQT Funds Management Ltd.

Mr. Chia does not hold any other directorship in other public listed companies and listed issuers in Malaysia.

DATO' NG JUI SIA
64 years, Singaporean, Male
Independent Non-Executive Director

- *Bachelor's Degree in Business Administration, University of Singapore*
- *Associate of the Institute of Chartered Accountants in England & Wales ("ICAEW")*

Dato' Ng Jui Sia was appointed to the Board of the Company as an Independent Non-Executive Director on 19 September 2012. He was also appointed as the member of the Audit Committee of the Company on the same date. On 1 July 2014, Dato' Ng was re-designated as Senior Independent Director of the Company. He was then re-designated as Independent Non-Executive Chairman on 23 March 2016 and subsequently re-designated as Senior Independent Director on 11 May 2016. On 24 February 2017, he was re-designated as Independent Non-Executive Director of the Company.

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&Ns Times Publishing Ltd. as Chief Executive Officer with an international portfolio of printing, publishing, distribution and book retailing. Dato' Ng was also a nominee director in Fung Choi Media Group Ltd., a China based company listed on the Singapore Stock Exchange and PMP Ltd., a company listed on the Australia Stock Exchange from November 2007 to July 2010. From October 2010 to October 2013, Dato' Ng held the position of the Chief Executive Officer of the Fraser & Neave Holdings Bhd. Dato' Ng was the Group Chief Executive Officer, F&B (Non Alcoholic) of Fraser and Neave Limited from July 2013 until May 2015, after which he was appointed as its Strategic Advisor.

Dato' Ng was formerly a director of Cocoaland Holdings Berhad, Fraser & Neave Holdings Bhd., Vietnam Dairy Products Joint Stock Company and a number of private limited companies in the Fraser & Neave Holdings Bhd. Group.

Dato' Ng does not hold any other directorship in other public companies and listed issuers in Malaysia.

MR. PETER HO KOK WAI
57 years, Malaysian, Male
Independent Non-Executive Director

- *Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW")*
- *Member of the Malaysian Institute of Accountants ("MIA")*
- *Member of the Malaysian Institute of Certified Public Accountants ("MICPA")*

Mr. Peter Ho Kok Wai was appointed to the Board of the Company as an Independent Non-Executive Director on 23 March 2016. He was also appointed as a member of the Audit Committee of the Company on the same date and later assumed the role as Chairman of the Audit Committee of the Company on 20 May 2016.

Mr. Peter Ho forged his early career with Everett Pinto & Co., a central London Firm of Chartered Accountants in 1980, and qualified as a Chartered Accountant in 1984. Subsequently, in 1987, Mr. Peter Ho joined KPMG, Kuala Lumpur ("KPMG, KL"), where he progressed to Head of Department in 1992. He was transferred to KPMG, Ipoh, in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG, KL in January 2006 where at different times, he headed the Technical Committee, Audit Function and Marketing Department. He has more than 34 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Mr. Peter Ho retired from KPMG, KL, in December 2014.

Mr. Peter Ho currently sits on the Board of Hong Leong Industries Berhad, GuocoLand (Malaysia) Berhad and Sapura Resources Berhad as an Independent Non-Executive Director.

Mr. Peter Ho does not hold any other directorship in other public companies and listed issuers in Malaysia.

PROFILE OF DIRECTORS (cont'd)

MR. JOHN MATHEW A/L MATHAI

54 years, Malaysian, Male
Independent Non-Executive Director

- *LL.B (Hons), University of Malaya*
- *Advocate & Solicitor of the High Court of Malaya*

Mr. John Mathew a/l Mathai was appointed to the Board of the Company as an Independent Non-Executive Director on 23 March 2016. He was also appointed as a member of both the Nominating and Remuneration Committee of the Company on 4 April 2016.

He is an Advocate & Solicitor of the High Court of Malaya and has been in legal practice since February 1987. He is presently a partner of Messrs. Christopher & Lee Ong, Kuala Lumpur and co-heads the Dispute Resolution Practice of the firm. He is also a Notary Public.

Mr. John Mathew does not hold any other directorship in other public companies and listed issuers in Malaysia.

MR. YAP CHEE KEONG

56 years, Singaporean, Male
Non-Independent Non-Executive Director

- *Bachelor of Accountancy, National University of Singapore*
- *Fellow of the Institute of Singapore Chartered Accountants ("ISCA")*
- *Fellow of the Certified Practising Accountants ("CPA") Australia*
- *Fellow of the Singapore Institute of Directors ("SID")*

Mr. Yap Chee Keong was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 19 May 2016. He was also appointed as a member of the Audit Committee of the Company on 20 May 2016.

Mr. Yap is an Independent Non-Executive Director of Sembcorp Industries Ltd., Olam International Limited, MediaCorp Pte. Ltd., Citibank Singapore Limited and Certis CISCO Security Pte. Ltd. He is also a Non-Independent Non-Executive Director of STC and ARA Asset Management Limited.

Mr. Yap has worked in various senior management roles in multinational and listed companies.

Mr. Yap does not hold any other directorship in other public listed companies and listed issuers in Malaysia.

1. **Family Relationship with Directors and/or Major Shareholders**
   Save for the following, none of the Directors of MSC has any family relationship with other Directors and/or major shareholders of the Company:

   Ms. Chew Gek Khim is the Executive Chairman of STC, the major shareholder of the Company which owns 55.30% of the equity of the Company. Her mother is Dr. Tan Kheng Lian, a substantial shareholder of STC.

2. **Conflict of Interest**
   None of the Directors have any conflict of interest with the Company.

3. **Conviction for Offences (other than traffic offences)**
   None of the Directors had any conviction for offences (other than traffic offences, if any) within the past five (5) years or been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2016.

4. **Attendance at Board Meetings**
   Details of the Directors' attendance at the Board meetings are set out in the Statement on Corporate Governance on pages 43 to 54 of this Annual Report.

Left to Right:

- **En. Madzlan Bin Zam**
  Head of Resources & Investments
- **Mr. Ir. Raveentiran a/l Krishnan**
  Group Chief Operating Officer, Smelting
- **Mr. Yap Fook Ping**
  Group Chief Financial Officer
- **Mr. Yoon Choon Kong**
  Group General Manager, Internal Audit
- **Dato' Dr. Ir. Patrick Yong Mian Thong**
  Chief Executive Officer
- **Mr. Richard Thibault**
  Group Chief Operating Officer, Mining/
  Senior General Manager, RHT
- **En. Zaharuddin Bin Zainal**
  General Manager, Commercial
- **Mr. Au Soon Yong**
  Finance Director

KEY PERSONNEL PROFILE

DATO' DR. IR. PATRICK YONG MIAN THONG

64 years, Malaysian, Male
Chief Executive Officer

- *Bachelor of Science (Honours) Degree in Electrical and Electronics Engineering, CNAA of United Kingdom*
- *PhD (Electrical Engineering), United States of America*
- *Registered Professional Engineer Malaysia*
- *Member of the Institution of Engineers Malaysia ("IEM")*

Dato' Dr. Ir. Patrick Yong Mian Thong was appointed as Chief Executive Officer of the Company on 7 October 2016.

He started his career as an engineer with the National Electricity Board of Malaysia ("LLN"). In 1989, Dato' Dr. Ir. Patrick Yong left LLN to pursue his career in the field of consultancy in electrical engineering.

Dato' Dr. Ir. Patrick Yong founded Sulfarid Technologies in 2004 and was its Managing Director. The Company was subsequently acquired by the Hup Soon Global Corporation Group in November 2007 and renamed Borid Technologies.

Throughout his line of work, Dato' Dr. Ir. Patrick Yong established his proficiency in electrical distribution systems and pursued research in the field of efficiency in energy conversion leading to a PhD in Electrical Engineering.

He was the Chief Operating Officer of Tai Kwang Yokohama Industries Berhad from 2007 to 2010 and former Chief Executive Officer of Yokohama Industries Berhad from 2010 to 2015.

MR. YAP FOOK PING

63 years, Malaysian, Male
Group Chief Financial Officer

- *Fellow of the Association of Chartered Certified Accountants ("ACCA")*
- *Member of the Malaysian Institute of Accountants ("MIA")*

Mr. Yap Fook Ping has more than 40 years of experience in accounting and finance including more than 25 years in MSC. He has broad and in-depth knowledge of commercial and financial aspects of the industry.

His career in MSC started in 1991 as an Accounting and Finance Manager and was subsequently promoted to Financial Controller in January 1995. He was promoted to his current position in 2002. He is primarily responsible for managing the accounting and finance functions of MSC Group and provides decisions support to MSC Group's overall business objectives.

Prior to joining MSC, Mr. Yap had garnered 15 years of experience in the field, having worked and held senior positions at several companies in various industries including a company listed on Bursa Malaysia and US multinational companies.

MR. IR. RAVEENTIRAN A/L KRISHNAN
53 years, Malaysian, Male
Group Chief Operating Officer, Smelting

- *Bachelor of Chemical Engineering (Chemical & Process), Universiti Kebangsaan Malaysia*
- *Registered Professional Engineer Malaysia*
- *Member of the Institution of Engineers Malaysia ("IEM")*

Mr. Ir. Raveentiran a/l Krishnan has been in the tin smelting industry for more than 25 years. He started his career with MSC as a Trainee Metallurgist in November 1988. He then held various positions within the Company including Safety & Environment Engineer and Research & Development Manager. He also spent 4 years in PT Koba Tin, Indonesia the then subsidiary of MSC as the Head of Metallurgy. He assumed the position of Production Manager in 2005 upon his return from Indonesia and later as the Works Manager before he was promoted to the position of General Manager, Smelting in 2010. A year later he moved up to the position of Group General Manager, Smelting.

Mr. Ir. Raveentiran assumed his current position in 2014. He is responsible for the company's tin smelting business in Butterworth, Penang. His primary role is to ensure that the smelter remains at the forefront as the world's largest and most efficient custom tin smelter. This includes improving the smelter's operational efficiency and flexibility to be able to handle a wide range of tin bearing feed materials.

MR. RICHARD THIBAULT
61 years, Canadian, Male
Group Chief Operating Officer, Mining/Senior General Manager, RHT

- *Bachelor of Science (Honours) Degree in Mining Engineering, Queen's University*
- *Registered Professional Mining Engineer ("P.Eng.")*
- *Member of Canadian Institute of Mining, Metallurgy and Petroleum ("CIM")*

Mr. Richard Thibault was appointed as Group Chief Operating Officer, Mining and Senior General Manager of RHT, a wholly-owned subsidiary of MSC, in October 2016.

Mr. Thibault has over 39 years of experience in engineering, operations, management and international consulting. As an independent mining consultant he has been providing management and due diligence services to select clients.

Before joining MSC, he spent the better part of the past two and half years, working as a mining consultant in Malaysia, as the principal mining consultant and Chief Executive Officer of Asian Metal Mining Consultancy. His clients have included Government Departments, private mining companies, Government controlled companies, banks, and contract mining on a couple of projects. He has also participated in various peer reviews of exploration projects in Malaysia.

His extensive experience worldwide has allowed him to aid clients at various stages of the mining cycle, from using entrepreneurial skills at start-up companies, to due diligence reviews for mergers and acquisitions, technical problem solving and to being a fresh set of eyes at an established operation.

KEY PERSONNEL PROFILE (cont'd)

EN. MADZLAN BIN ZAM

59 years, Malaysian, Male
Head of Resources & Investments

- *Bachelor of Science (Honours) Degree in Geology, Universiti Kebangsaan Malaysia*
- *Registered Professional Geologist ("PGeol"), Board of Geologists Malaysia*
- *Member of the Institute of Geology Malaysia ("IGM")*
- *Member of the Geological Society of Malaysia*
- *Member of the Indonesian Association of Geologists ("IAGI")*
- *Member of the Malaysian Chamber of Mines*

En. Madzlan Bin Zam joined MSC in 2002 and was assigned as Manager Geology at PT Koba Tin in Indonesia between 2002 and 2011, and later held the President Director's post for PT MSC Indonesia and PT SRM Indonesia. During his tenor at PT Koba Tin, he passed the examination as the Pengawas Operasional Utama at the mine, which qualifies him to be the Mine Manager in Indonesia.

He was subsequently appointed as Head of Geology & Exploration of MSC in 2011 before his current position as Head of Resources & Investments of the Company in May 2015. He is responsible in exploration and development of tin resources at RHT at Klian Intan, Perak, a wholly-owned subsidiary of MSC. Currently, he is also holding the position of Director for SL Tin Sdn. Bhd., a MSC's subsidiary.

Prior to that, he had worked with Malaysia Mining Corporation Berhad between 1981 and 2002 as a Mining Geologist responsible in monitoring tin production from the dredges. He was involved in tin and gold exploration and mining development projects in Malaysia as well as overseas i.e. Indonesia, Australia, New Zealand, Lao People Democratic Republic, Thailand, Myanmar, Kyrgyz Republic, Europe and Democratic Republic of Congo.

En. Madzlan has vast experiences and knowledge in both primary and alluvial tin, gold, base metals and coal; and was also in charge of managing a tin mine in Indonesia. He has experiences working with consultants recognised by the World Bank for the Bankable Feasibility Study of the Taldy-Bulak Gold Project, Kyrgyz Republic.

MR. AU SOON YONG

32 years, Malaysian, Male
Finance Director

- *Bachelor of Science (Honours) Degree in Applied Accounting, Oxford Brookes University, United Kingdom*
- *Member of the Association of Chartered Certified Accountants ("ACCA")*
- *Member of the Malaysian Institute of Accountants ("MIA")*
- *Member of Certified Fraud Examiners ("CFE")*

Mr. Au Soon Yong joined MSC as the Finance Director on 11 July 2016. He brings in more than 11 years of experience in accounting and finance, internal and external audit, compliance and risk management and operational processes from his experience working in a multinational company and international accounting firm.

Mr. Au started his early career with KPMG Malaysia in 2006 and he was nominated to participate in global secondment programme in 2010, where he spent 18 months working in KPMG Manchester, United Kingdom. He was transferred back to KPMG Malaysia in 2012 and was promoted to Audit Head of Department in 2014. He has more than 10 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, trading, distribution and financial services.

In his current role as a Finance Director in MSC, Mr. Au is primarily responsible for Treasury and Financial Planning and Analysis ("FPA") of MSC Group.

MR. YOON CHOON KONG

62 years, Malaysian, Male
Group General Manager, Internal Audit

- *Diploma in Management, Malaysian Institute of Management*
- *Associate Member of the Institute of Internal Auditors Malaysia ("IIA")*
- *Certified Lead Auditor, National Registration Scheme for Lead Assessors of Quality Systems (UK)*

Mr. Yoon Choon Kong, the Group General Manager, Internal Audit of MSC, started his career as an auditor at Messrs Sam Ah Chow & Co, Certified Public Accountants. He had joined STC, currently the holding company of MSC, back in 1978 as an Accounting Officer. In 1985 he was promoted to the position of Accountant at MSC and served in that capacity up to 1995 before assuming his present position as the Group General Manager, Internal Audit for MSC.

Between 2006 and 2010, Mr. Yoon also headed the Internal Audit function at STC in Singapore, as Vice President, Group Internal Audit.

He has been with the STC/MSC Group for more than 38 years.

EN. ZAHARUDDIN BIN ZAINAL

57 years, Malaysian, Male
General Manager, Commercial

- *Diploma in Accountancy, MARA University of Technology*
- *Bachelor of Arts (Finance), Westmar College, Iowa, United States of America*

En. Zaharuddin Bin Zainal began his career with Bank Bumiputra Malaysia Berhad (now known as CIMB Bank) for three (3) years before he went to United States to further his studies in finance for two (2) years. Later in April 1987, he joined MSC as Commercial Executive and in the ensuing years, held various positions in Commercial Department.

He was appointed as the General Manager, Commercial of MSC in June 2012. He has been with MSC for more than 30 years.

En. Zaharuddin is primarily responsible to oversee, manage and ensure effectiveness and efficiency of all commercial operations activities to support the achievement of Company's objectives of securing adequate ore and crude tin supplies and of marketing its principle product of refined tin and other products and services at satisfactory margins.

None of the key personnel:

1. Hold any directorship in public companies and listed issuers;
2. Has any family relationship with any Director and/or major shareholder of the Company;
3. Have any conflict of interest with the Company; and
4. Had any conviction for offences (other than traffic offences, if any) within the past five (5) years or been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2016.

STATEMENT BY THE CHAIRMAN

Dear Valued Shareholders,

On behalf of the Board of Directors ("Board") of MSC, I am glad to present to you the Annual Report and Audited Financial Statements of MSC for the financial year ended 31 December 2016 ("FY2016").

I am pleased to announce that we successfully turned our business around to deliver a profit after tax of RM34.3 million in FY2016 - a significant reversal from the loss-making position over the last two years.

BUSINESS REVIEW

In 2016, global refined tin consumption was approximately 350,000 tonnes, with production at approximately 340,000 tonnes. It is noteworthy that tin prices have recovered from less than USD14,000 per tonne in early 2016 to more than USD20,000 per tonne by December 2016. As at time of this report, the tin price has increased to around USD20,200 per tonne, and demand from China, the largest consumer of refined tin, is also expected to grow in 2017.

Notwithstanding the beneficial tin price, the Group continues to take a proactive approach to improve operational efficiencies. As the world's second largest producer of refined tin, the Board remains focused on driving the improvements in all our businesses.

In November 2016, we acquired a production facility in Klang, which will have more advanced manufacturing technology than the current smelter in Butterworth. However, efforts to improve our operations are not restricted to tin smelting. The management, under the guidance of the Board, continues to work hard on all its businesses and steps have been taken to improve our tin mining and other operations, including optimising their cost structures.

Various plans and work streams have been laid out to achieve specific internal targets. This will put the Group in a better position to face any unexpected challenges going forward.

Various plans and work streams have been laid out to achieve specific internal targets.

Apart from operational improvements, we continue to enhance our presence in the domestic and global markets, and remain open to exploring strategic investment opportunities to further strengthen our core business.

STATEMENT BY THE CHAIRMAN (cont'd)

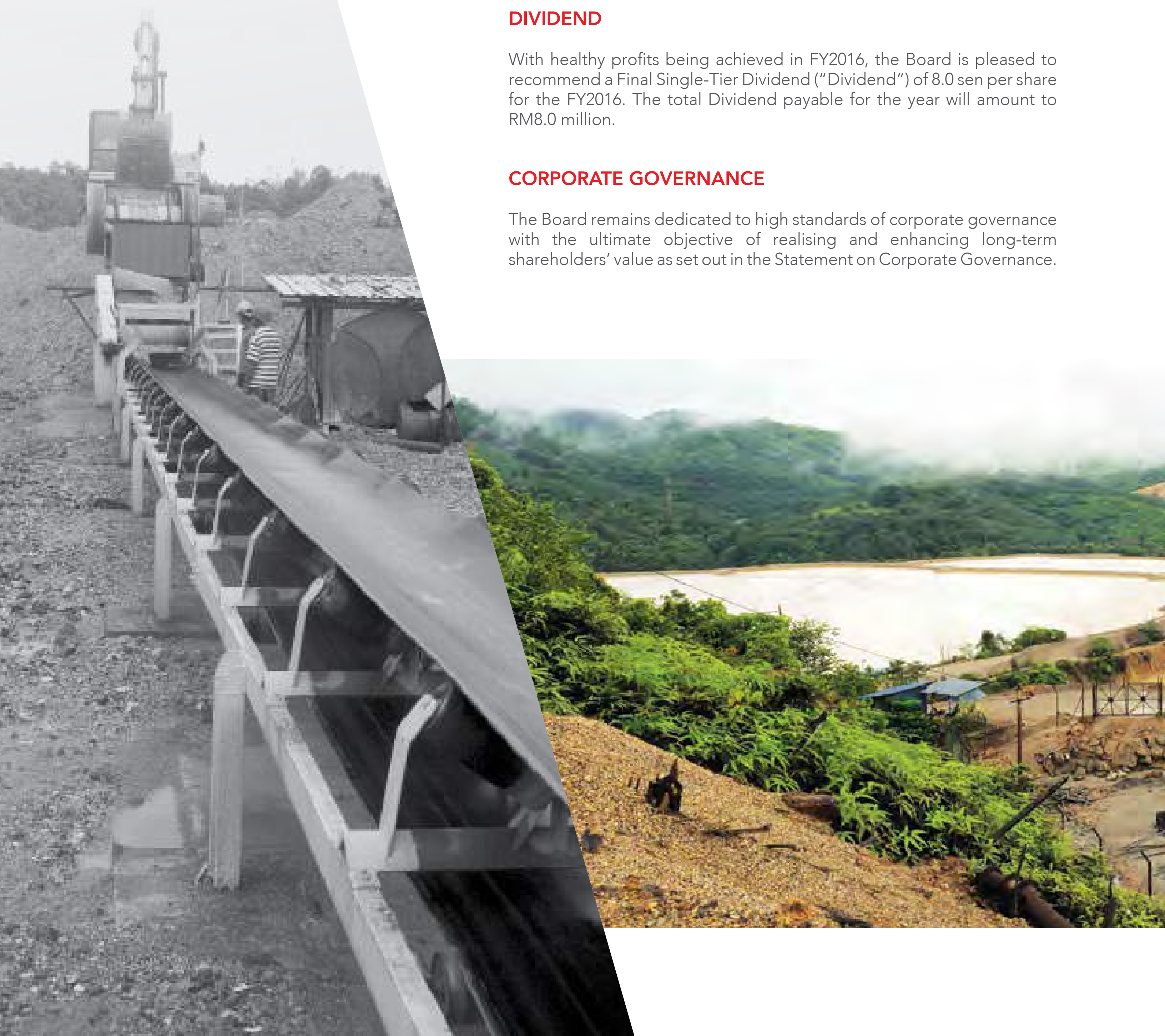
The Board remains dedicated to high standards of corporate governance with the ultimate objective of realising and enhancing long-term shareholders' value.

DIVIDEND

With healthy profits being achieved in FY2016, the Board is pleased to recommend a Final Single-Tier Dividend ("Dividend") of 8.0 sen per share for the FY2016. The total Dividend payable for the year will amount to RM8.0 million.

CORPORATE GOVERNANCE

The Board remains dedicated to high standards of corporate governance with the ultimate objective of realising and enhancing long-term shareholders' value as set out in the Statement on Corporate Governance.



APPRECIATION

On behalf of the Group, I would like to express our sincere gratitude to our Board, management team, employees, stakeholders, customers, business associates, financiers, the Government and other regulatory bodies for their continued support and confidence in MSC.

May I extend my appreciation to Mr. Chua Cheong Yong, who left the Group on 7 October 2016, for his 30 years of service and his contributions throughout the years.

On behalf of the Board, may I also welcome Dato' Dr. Ir. Patrick Yong Mian Thong as Chief Executive Officer to oversee and usher in our next chapter of growth.

CHEW GEK KHIM PJG
Non-Independent Non-Executive Chairman

24 March 2017

MANAGEMENT DISCUSSION & ANALYSIS

Dear Valued Shareholders,

In my maiden year as the newly appointed Chief Executive Officer for MSC, I am delighted to report that the Group has registered a profit after tax of RM34.3 million for the financial year ended 31 December 2016 ("FY2016"), a significant reversal from the loss-making positions in the previous two years. This was achieved on the back of approximately RM1.5 billion of revenue, which is largely similar to the Group's revenue achieved in the financial year ended 31 December 2015 ("FY2015").

MSC REGISTERED PROFIT AFTER TAX OF
RM34.3 MILLION

While most of the hard commodity prices saw a recovery in 2016, it was tin which led the way with significant strides compared with the rest of the metals.

PERFORMANCE

FY2016 saw a revival in MSC's financial performance following a recovery in the global tin industry. Tin prices returned to a more sustainable level after a depressive run throughout the previous year. While most of the hard commodity prices saw a recovery in 2016, it was tin which led the way with significant strides compared with the rest of the metals.

As you are well aware, the Group's core operations are primarily driven by (i) the Group's international custom smelting business which stands as the world's second largest refined tin producer, and (ii) our mining activities at RHT in Perak, both of which have registered respectable profit before tax figures in FY2016.

Appended below is a snapshot of the Group's production figures as well as the average tin market price:

Operating snapshot	2016	2015
Group's revenue	**Approx. RM1.5 billion**	Approx. RM1.5 billion
MSC International Custom Smelter – Production of refined tin (tonnes)	**26,802**	30,209
Profit/(Loss) before tax (RM million)	**19.4**	(5.5)
RHT - Production of tin-in-concentrates (tonnes)	**2,228**	2,196
Sales of tin metal (tonnes)	**2,491**	1,922
Profit before tax (RM million)	**40.3**	14.2
Average tin market price (USD per tonne)	**17,900**	16,000

I am pleased to share that both our smelting and mining businesses have recorded higher profit before tax figures in FY2016 than in FY2015 despite a slight decrease in total metal production from 30,209 tonnes in 2015 to 26,802 tonnes. Sales however remained stable at RM1.5 billion as the Group enjoyed higher average tin market prices of USD17,900 per tonne. The improvement in financial performance is also attributed to a more favourable exchange rate of the US Dollar and better operational efficiencies overall despite increase in impairment loss of RM37.5 million in FY2016 as compared to RM6.7 million in FY2015.

The financial position of the Group remains healthy. During the year, the Group generated a net cash flow from operating activities of RM54.5 million. As the Group reduced its total borrowings by approximately 13% from RM392.0 million in FY2015 to RM339.5 million in FY2016, our gearing ratio as at 31 December 2016 declined to 1.2 times from 1.6 times a year ago. Total shareholders' equity increased to RM279.4 million from RM241.3 million in the previous year. Net assets per share stood at RM2.79, up from RM2.41 in FY2015.

As some of the Group's trade finance facilities and account payables are held in foreign currencies, the weakening of the Malaysian Ringgit led to a RM8.0 million foreign exchange loss mainly due to unrealised translation losses.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

PRODUCTION OF REFINED TIN
26,802 TONNES

PROFIT BEFORE TAX
RM19.4 MILLION

INTERNATIONAL SMELTING BUSINESS

Although the smelting business experienced a drop in feed intake, we remain optimistic in our ability to source for higher feed intake to support our international smelting business.

Initiatives were in place to increase the production of premium grade tin to cater to its rising demand and the higher margin it offers. In anticipation of a decline in both tin grade and quality of feed materials, the smelter embarked on a process to acquire more advanced refining equipment to treat metal with high level of impurities in 2016.

The management remains committed towards greater operational efficiencies in our smelting business, which would better position us as a preferred tin smelter.

Initiatives were in place to increase the production of premium grade tin to cater to its rising demand and the higher margin it offers.

LOCAL TIN MINING BUSINESS

We are pleased that RHT continues to maintain its position as the largest producer of tin-in-concentrates in Malaysia, producing about one third of the country's tin production in 2016.

All processing units at RHT's mine operated at near full capacity throughout the year treating ore material mined from the open-pit operation.

In late 2016, RHT underwent a management renewal process to boost operational capabilities, improve production and to control and reduce costs. New targets and Key Performance Indicators ("KPIs") were set with the aim of increasing production output by at least 20 – 25 percent and lowering all-in-costs in the coming years.

RHT continues to maintain its position as the largest producer of tin-in-concentrates in Malaysia.

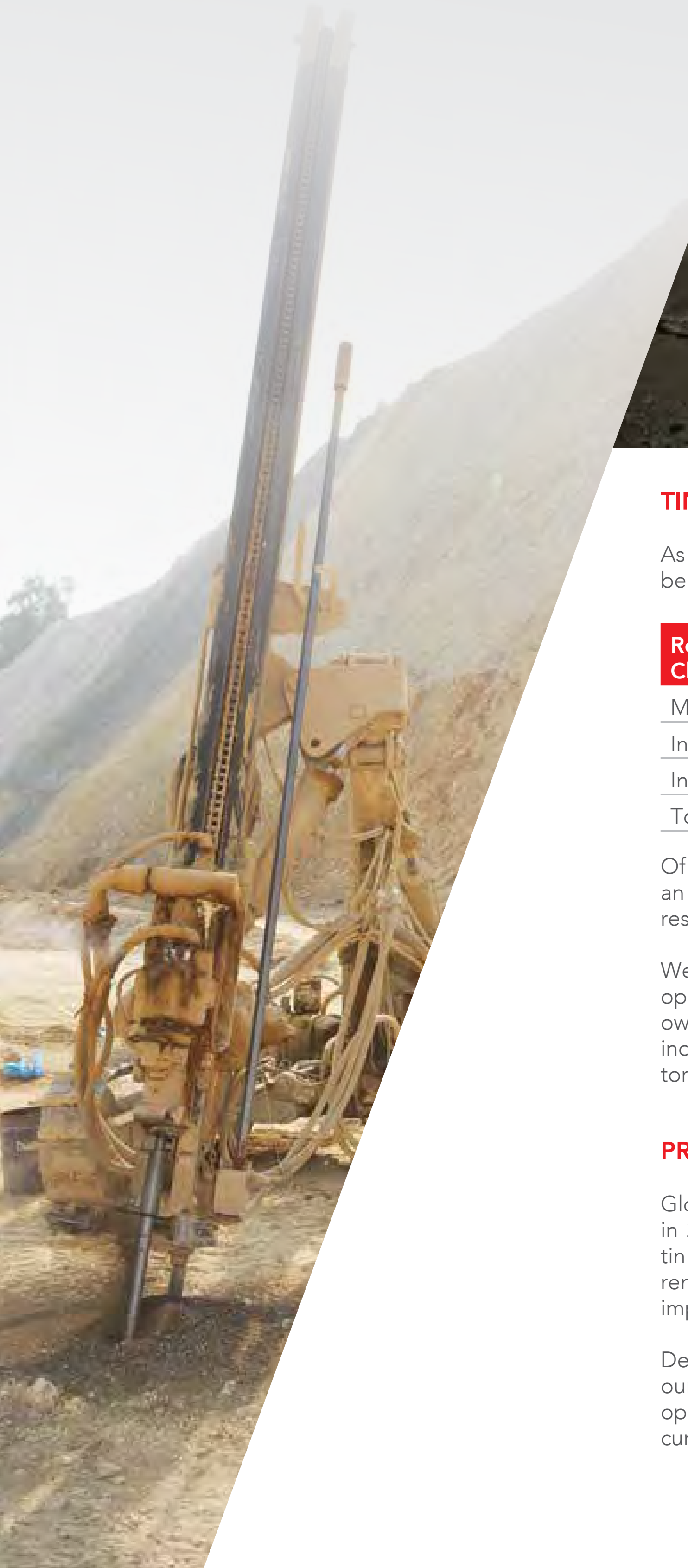
PRODUCTION OF TIN-IN-CONCENTRATES

2,228 TONNES

PROFIT BEFORE TAX

RM40.3 MILLION

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)



TIN EXPLORATION AND RESOURCES

As at 31 December 2016, RHT's estimated ore resources are tabulated below:

Resources Class	Resource Volume (m^3)	Grade ($KgSn/m^3$)	Contained Tin (tonnes Sn)
Measured	1,552,524	2.38	3,695
Indicated	2,016,257	2.18	4,396
Inferred	13,888,367	1.71	23,710
Total	17,457,148	1.82	31,801

Of the above resource volumes, it is estimated that 5,857,922 m^3 grading an average of 2.25 $KgSn/m^3$ and containing 13,165 tonnes of tin metal resource are located within the current designed mine pit.

We continue to explore new deposits in Malaysia and we intend to start operations in our Sungai Lembing mines in Pahang, held under our 80% owned subsidiary, SL Tin Sdn. Bhd. ("SL Tin"). Initial exploration works indicate that there is good potential there and we expect to produce 100 tonnes per month of refined tin within a couple of years.

PROSPECTS AND OUTLOOK

Global commodity prices and currencies are expected to remain volatile in 2017. The recent removal of China's 10% duty on exports of refined tin for 2017 is a new development, and its effects on global tin industry remain unknown for now. But we will continue to monitor its potential impact, if any.

Despite a turnaround in 2016, we will practice prudence to ensure that our core operations are resilient to market volatility. Improvement in operational efficiency and cost rationalisation remain the focal point in the current year to buffer us against the changes in global macro economy.

The Group expects to deliver further sustainable value to shareholders with the recent RM50.0 million acquisition of a production facility in Pulau Indah, Klang. We aim to retrofit this plant in Klang to be one of the most modern tin smelters in the region equipped with a modern Top Submerged Lance ("TSL") furnace.

The new TSL furnance will enable us to have an even more comprehensive and efficient smelting process and may also be expanded to handle a larger volume of feed materials using oxygen enrichment. Furthermore, the property is situated in an attractive location, which is at a mature industrial area with excellent connectivity to Westport and London Metal Exchange warehouses.

With the new TSL furnace at the new location coupled with the availability of natural gas as fuel, I am confident that the cost efficiency of our smelting business will be greatly enhanced and MSC will be better positioned to embrace the challenges in the industry, going forward.

Despite a turnaround in 2016, we will practice prudence to ensure that our core operations are resilient to market volatility.

CORPORATE SOCIAL RESPONSIBILITY ("CSR"') AND SUSTAINABILITY

The Group consistently reviews our procedures to ensure that our operations have no adverse effects on the society and the surrounding environment.

Our Butterworth smelter is a Conflict Free Smelter ("CFS") and our products are sourced from conflict free areas in accordance to the Organisation for Economic Co-operation and Development ("OECD") due diligence guidelines. Kindly refer to the CFS Audit Report which highlights our commitment to this cause.

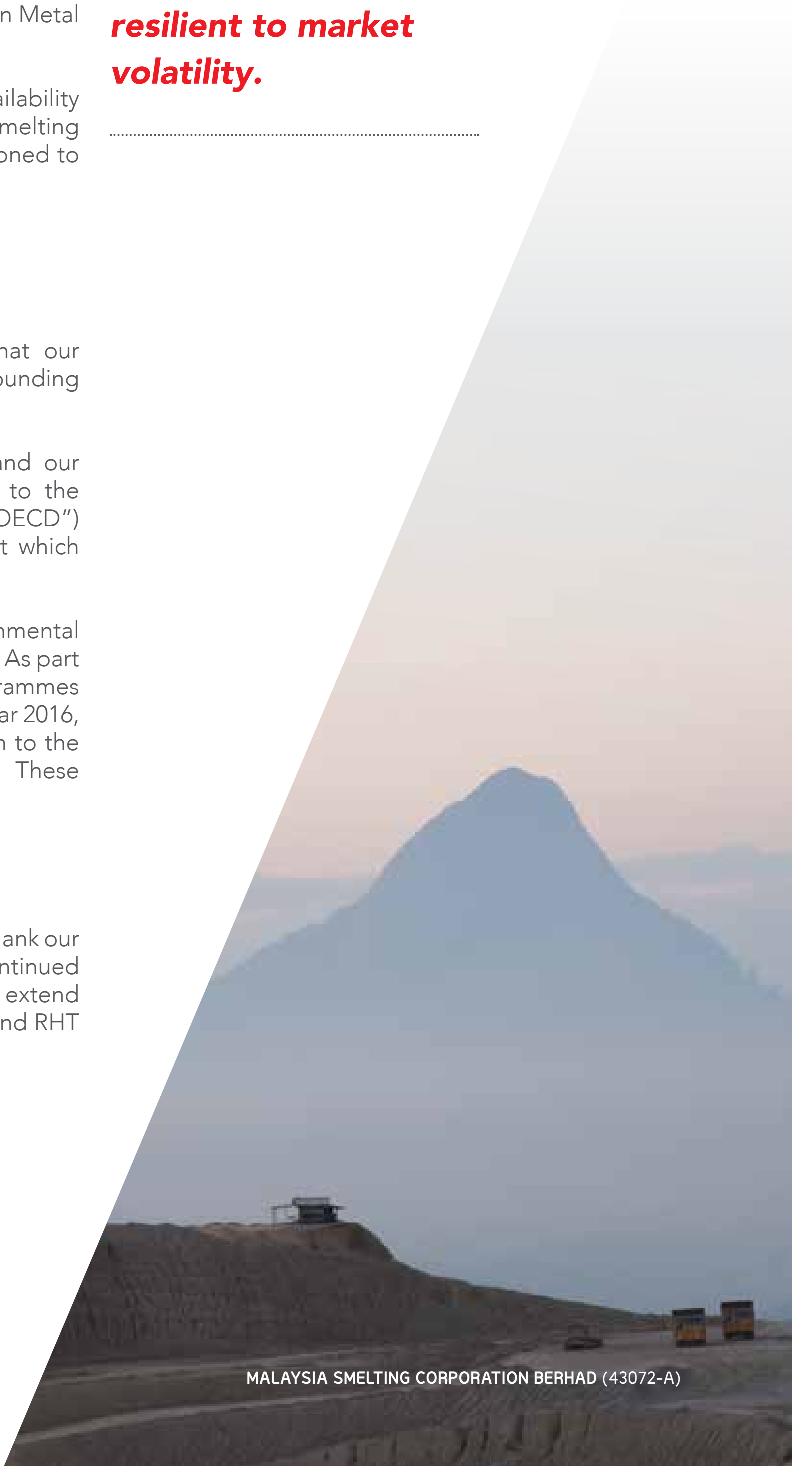
At RHT, we continue to engage with the local mining and environmental authorities to ensure that the best industry practices are adopted. As part of our dedication to talent development, we invest in training programmes and welfare activities for our staff and communities. During the year 2016, the Group also engaged in various CSR programmes in addition to the environmental management and rehabilitation programmes. These efforts are further elaborated in our CSR Report.

ACKNOWLEDGEMENTS

On behalf of the management and Board of MSC, I would like to thank our shareholders, clients, suppliers and business partners for their continued support and confidence in the Group. Last but not least, I wish to extend my heartfelt thanks and appreciation to our employees at MSC and RHT for their dedication, hard work and commitment to the Group.

DATO' DR. IR. PATRICK YONG MIAN THONG
Chief Executive Officer

24 March 2017



TIN MARKET REVIEW AND OUTLOOK

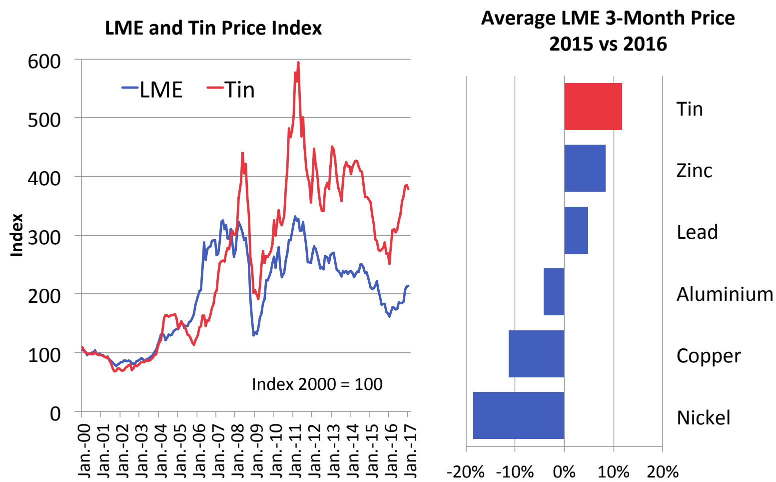
(Source: ITRI)

Tin took the crown as the best performing base metal in 2016 by annual average price, up 12% from 2015 to USD17,899 on a LME 3-month basis. Following a dip to almost USD13,000 per tonnes in mid-January, the tin price saw a broadly steady rise throughout 2016, closing at USD21,080 on December 31st, up 45% year-on-year.

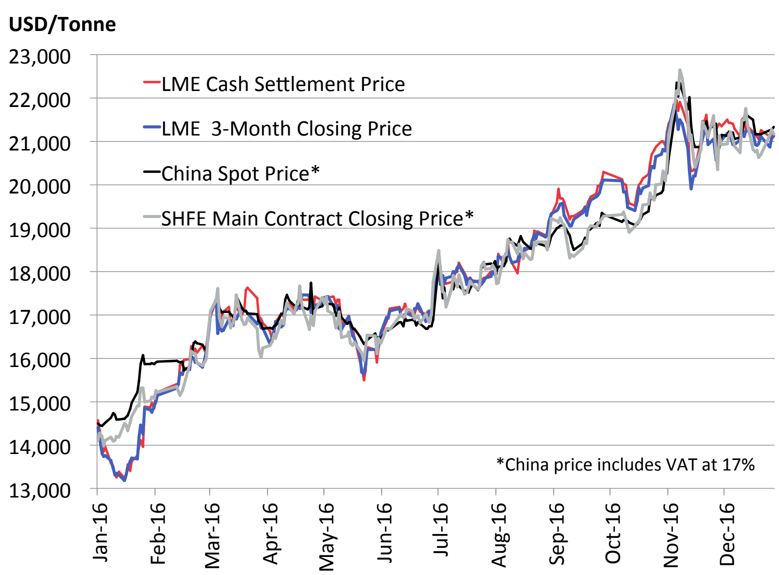
Tin rode the commodity wave in 2016, with price recoveries widespread across the metals and bulk commodities. However, fundamental factors also drove tin's strong individual performance last year, with consumption recovering faster than supply from 2015 levels and visible global tin stocks held by producers, consumers and exchanges all seeing overall falls. Towards the end of the year, tin's recovery slowed as the higher price incentivised a revival in tin mine supply.

The China tin price (plus VAT) remained particularly well correlated with the LME over the course of the year. As visible in the chart, there were two periods of minor divergence, firstly with higher Chinese prices in January and February, primarily due to the impact of the Chinese Spring Festival, and secondly from August through to October, where LME prices were driven higher due to a period of tighter supply outside of China.

Tin Prices versus other LME Metals



China and LME Prices in 2016



CONSUMPTION RECOVERY AS GLOBAL SENTIMENT IMPROVES

Tin, like many other metals, saw better demand towards the end of the year as a more bullish global economic outlook developed. This is indicated by a corresponding improvement in Purchasing Manager's Indices ("PMI") data for each of the major refined tin consuming regions, who are also major consumers of tin end-use products such as electronics. This data is positive for tin demand prospects this year not just in China, but the rest of the world.

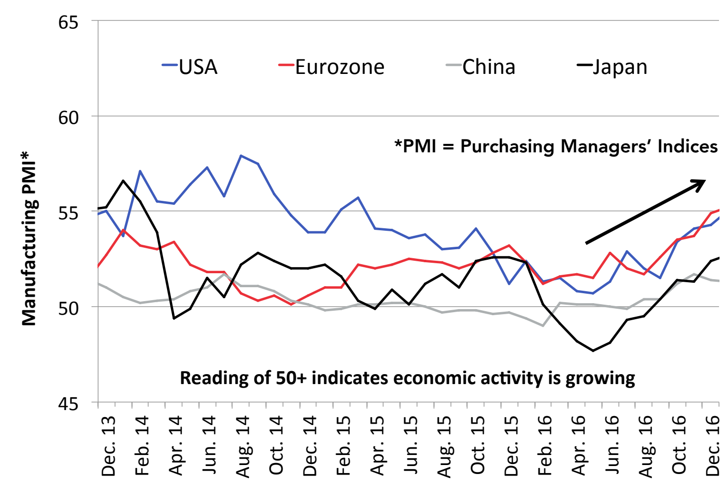
Based on the results of ITRI's 2016 annual survey of tin users, combined with trade data, global refined tin consumption is calculated to have grown by an estimated 1.9% in 2016 to 352,100 tonnes, broadly matching the 2% long-term growth rate. This partially offset the global contraction in tin use of -3.4% calculated in 2015, although total refined tin consumption still remains below 2014 levels. It is important to note that tin consumption remains highly China-dependent; the growth seen in 2016 was primarily driven by China, where demand grew 4.8% year-on-year to 157,800 tonnes, or 45% of global consumption. In contrast, refined tin use outside of China remained broadly stable, with a contraction of just -0.4%.

World Supply/Demand Balances in Refined Tin ('000 Tonnes)	2010	2011	2012	2013	2014	2015	2016	Forecast 2017
World								
World Refined Production	356.0	355.9	336.4	341.9	370.1	336.2	341.3	349.7
DLA Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Refined Consumption	362.2	359.4	339.4	349.0	357.8	345.7	352.2	355.1
Global Market Balance	**-6.2**	**-3.5**	**-3.0**	**-7.1**	**12.3**	**-9.5**	**-10.9**	**-5.4**
Reported stocks								
LME	16.4	12.1	12.8	9.7	12.1	6.1	3.8	3.0
SHFE	0.0	0.0	0.0	0.0	0.0	0.8	2.4	2.0
Producers	20.8	25.0	15.9	13.7	15.8	14.0	11.9	8.0
Consumer/other	11.1	9.6	10.7	10.9	11.2	11.3	10.6	9.0
Total	**48.3**	**46.7**	**39.4**	**34.3**	**39.1**	**32.2**	**28.7**	**22.0**
World Stock Ratio (weeks consumption)	6.9	6.8	6.0	5.1	5.7	4.8	4.2	3.2

Solder remained the largest use of refined tin in 2016, accounting for just under half of global use. Tin chemicals had a strong year, with tin consumption growing by an estimated 6% globally while use in tinplate and lead-acid batteries remained fairly static. The rapid growth in tin used in lead-acid batteries in China observed since 2012 has largely ended as the main policy driven conversion from cadmium-containing battery grid alloys to calcium-tin is effectively complete. The longer-term growth potential for current and new applications, focussing on possible technology changes, is covered in later in this report.

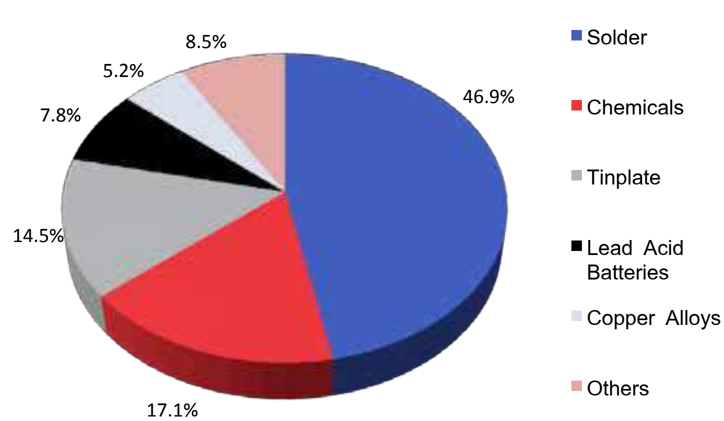
A big element of uncertainty for tin demand this year, and indeed for many other commodity classes, will be whether the recent stronger economic growth in China can be sustained throughout 2017 with high levels of corporate debt and a ballooning real estate market fuelled by cheap credit and speculation both presenting potential downside risks. The election of Donald Trump in the United States poses an additional risk if any trade tariffs or barriers are erected against Chinese exports, where tin demand is particularly vulnerable due to the volume exported to the USA within electronic goods.

PMI* Indicators of Global Growth



Data: Markit, NBS, ISM

Breakdown of World Refined Tin Use in 2016



Data: ITRI

TIN MARKET REVIEW AND OUTLOOK (cont'd)

MYANMAR ORE BOOSTS CHINESE PRODUCTION

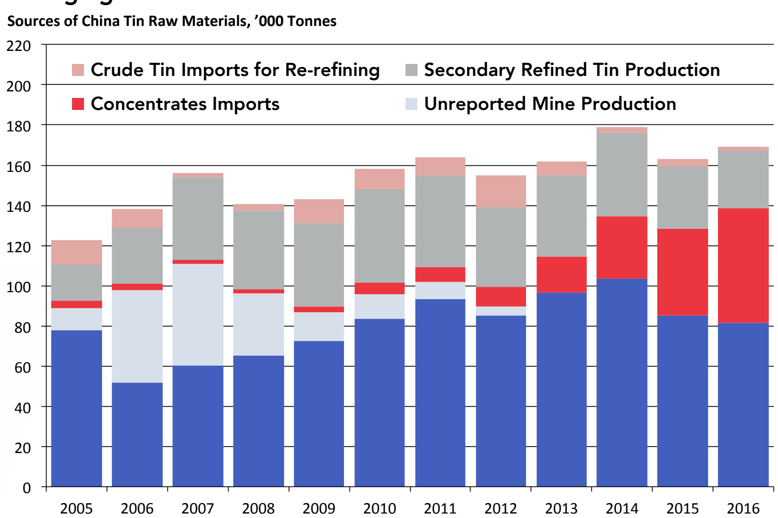
ITRI China calculates that despite a 4.3% fall in China's domestic mine production and a 7.1% fall in secondary refined tin production, refined tin supply in the country rose by 3.8% last year to 165,000 tonnes.

As visible in the chart, the rise in refined tin production was fuelled by a further increase in ore and concentrate imports. The flow of raw materials continues to be dominated by border trade with Myanmar's Wa Division in Shan State, which accounted for over 99% of ore imports during the year. Supply from Myanmar in 2016 totalled 472,506 tonnes gross weight or an estimated 57,000 tonnes tin. Almost 18% of this is believed to have come out of the Wa government's stocks, with the tin content of output from the Wa mining district estimated at 50,000 tonnes last year.

Raw material supply from Myanmar is expected to decline this year because of an underlying reduction in mine output from the central Man Maw mining district in Wa. However, Chinese mines resumed operations in late 2016 in response to higher prices and this is expected to offset the expected fall in raw material imports in 2017, with Chinese refined tin production forecast to grow slightly to 167,000 tonnes.

The market could also change structurally due to the removal of a 10% duty on Chinese refined tin exports for 2017 that had been in place since 2008. It is likely that this will result in an increase in exports, but will only occur if the China price falls below the LME and provides a positive arbitrage.

Changing China Raw Material Sources

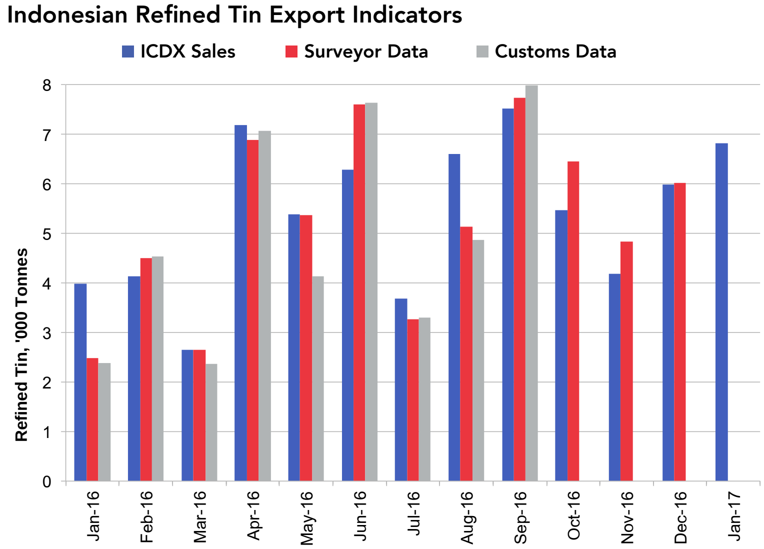


* *Publication of official mine production data ceased in 2013.* Data: ITRI, CNU, CNIA

INDONESIAN SUPPLY STABILISES ON HIGHER PRICES

The long-term decline in Indonesian mine output continued in 2016, although it fell by just 1.1% to 69,600 tonnes. As visible in the chart, production and exports were restricted in Q1 by flooding on the island of Bangka in Indonesia, a major centre for the country's tin industry. However, exports have generally been strong over the remainder of the year.

Indonesian Refined Tin Export Indicators

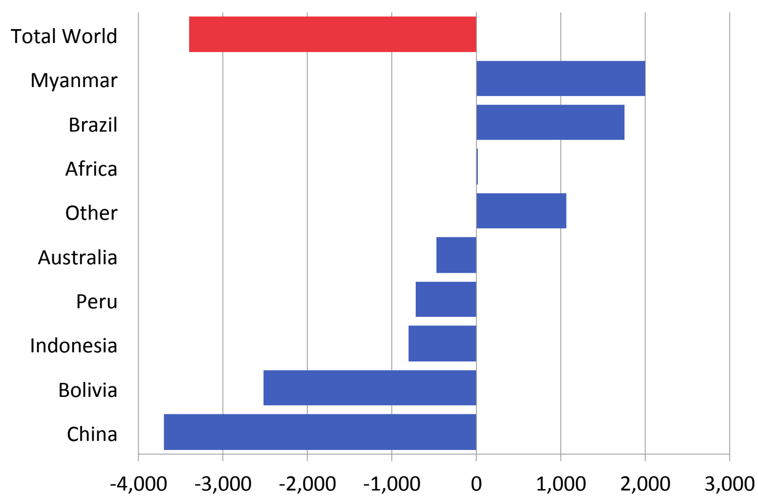


Falling tin grades and higher costs are expected to continue to drive a decline in production in the long term. However, in 2017 domestic output of both mined and refined tin is expected to remain stable or even increase slightly, as higher average tin prices continue to incentivise output. Large planned investments in new mining and smelting capacity and exploration should also provide some support.

PRODUCTION CHANGES RELATIVELY BALANCED IN 2016

While 2015 saw widespread falls in mine production and refined tin production, trends in output lacked clear direction in 2016. Relative to previous years, the changes in mine production by individual countries were small, with a maximum swing of 4,000 tonnes in China. The largest volume growth in mine production was in Myanmar, driven by investment in processing infrastructure, while operations in Africa and "Other" countries were both boosted by the rising price.

Changes in 2016 Mine Production



Data: ITRI

In South America, higher production in Brazil was driven by a recovery in mined tin output from the country's Pitinga Mine, which rose 20% to 5,744 tonnes following the completion of hydroelectric dam repairs, solving power issues that had disrupted production since August 2015, as well as operational improvements to the processing plant.

Bolivia saw a 13% dip in tin mine production, primarily due to a severe drought that significantly impacted operations at the state-owned Huanuni Mine, but it is likely that the country's production will rebound from this dip in 2017. Longer term projects to upgrade processing facilities at state-run tin mines should also support production when completed in the coming years.

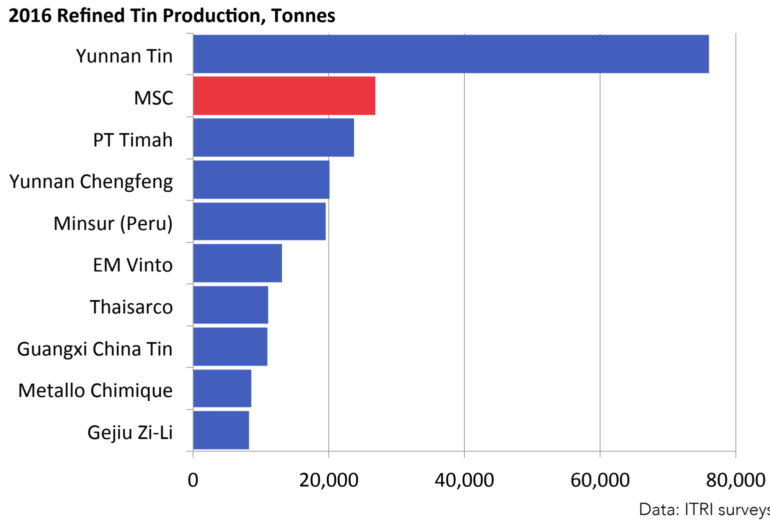
Meanwhile, Peruvian production from the San Rafael Mine, the country's sole tin operation, declined 4% in 2016 to 18,789 tonnes. Output from the mine was supported by the processing of soon to be depleted ore stockpiles last year and now a significant fall is expected, with both production from the mine and refined tin production from Peru's Pisco tin smelter forecast to fall to 17,000 tonnes in 2017 due to lower tin head grades, as indicated by official production guidance. While a tailings reprocessing project planned for the site could boost Peruvian tin output in a few years, we expect production from the established mine operation to continue to fall as grades decline.

On an individual company basis, the reaction of the largest refined tin producers to the increasing tin price in 2016 has also been mixed, with four of the top ten refined tin producers seeing output rise last year, while six saw a decline, including two of the top four companies. MSC remains in second place in the rankings.

TIN MARKET REVIEW AND OUTLOOK (cont'd)

MARKET OUTLOOK: SMALLER DEFICIT IN 2017 AS HIGHER PRICE SUPPORTS SUPPLY

Top 10 Refined Tin Producers



Mine and refined tin production from the largest tin-producing countries will remain stable or in decline in the coming years due to falling grades, depleting resources and rising costs. However, in 2017 we believe that these drivers will be mitigated by the impact of higher average tin prices relative to 2016, which should temporarily reverse some of these longer-term trends, particularly in China and Indonesia, although mined tin output in Myanmar is still expected to fall. Because of the uncertain global economic and political outlook, we are cautiously anticipating annual refined tin consumption growth of just under 1% this year and in the years ahead.

While supply growth is expected to outstrip consumption in 2017, we still expect a deficit of refined tin supply versus demand of some 5,000 tonnes this year, down from just under 11,000 tonnes in 2016. This should provide further support to prices, particularly with lower levels of global tin stocks available to offset supply shortfalls.

World Production and Consumption of Refined Tin ('000 Tonnes)	2010	2011	2012	2013	2014	2015	2016	Forecast 2017
Production								
China	155.0	160.0	152.0	158.1	175.0	159.0	165.0	167.0
Indonesia*	62.1	60.4	52.3	54.8	69.8	67.4	66.9	70.0
Malaysia	38.7	40.3	37.8	32.7	35.0	30.2	26.8	28.0
Thailand	23.5	23.9	22.8	23.0	17.1	10.5	11.1	12.0
Bolivia	15.0	14.5	14.3	14.9	15.4	15.5	17.0	18.0
Brazil	6.5	7.0	9.5	10.6	11.5	12.2	13.2	14.5
Peru	36.1	30.2	24.8	24.1	24.2	20.2	19.6	17.0
Belgium	9.9	10.0	11.4	10.3	9.8	8.9	8.5	9.5
Poland	0.6	0.8	1.4	2.0	2.2	2.1	2.9	3.0
Russia	1.5	0.7	0.9	0.6	0.2	0.3	0.2	0.2
Other	7.1	8.1	9.2	10.8	9.9	9.9	10.1	10.5
Total World Consumption	**356.0**	**355.9**	**336.4**	**341.9**	**370.1**	**336.2**	**341.3**	**349.7**
China	151.1	156.7	149.7	156.4	163.5	150.6	157.8	161.1
Japan	31.1	28.7	27.3	27.0	26.5	26.5	26.7	25.0
Other Asia	62.8	56.8	55.0	57.2	57.4	60.2	60.2	60.0
USA	31.0	31.5	31.0	30.5	29.5	30.5	30.3	30.0
Other Americas	20.5	19.6	18.6	18.9	18.4	18.8	17.3	18.5
Europe	62.2	62.3	54.8	56.0	59.7	56.3	57.5	57.5
Other	3.5	3.8	3.0	3.0	2.8	2.8	2.4	3.0
Total World	**362.2**	**359.4**	**339.4**	**349.0**	**357.8**	**345.7**	**352.2**	**355.1**

** Indonesian production excludes metal re-refined in other countries*

LONG-TERM TRENDS AND OUTLOOK FOR TIN USAGE

Connecting our World

Tin is vital to our modern lifestyles, connecting our world together. As communications become more and more important it is tin as solder joints through which all of those essential electrical and digital signals are routed.

At the same time, molten tin makes glass flat in the float glass process so that we can have and use display screens and look out of windows on futuristic city skyscrapers. Tin even coats some of them invisibly to provide conductive surfaces, thermal or electromagnetic shielding and in the future even smart photochromic darkening.

Plastic too can often only be produced with the help of tin catalysts and stabilisers – the largest uses of tin chemicals. Polyvinyl chloride products, polyurethane plastics and foams, silicone rubbers and sealants, commonly used in construction, need significant quantities of tin.

Even the food can in most modern households is the third largest use of tin. A thin layer on top of the steel is critical to preserving the food inside. Indeed, canned green vegetables would be white without the chemical properties of tin to stabilise their colour. Baked beans and other tomato products wouldn't taste the same without tin.

For all of these reasons, we can expect tin to be a part of our growing world for many years to come.

Facing the Challenges

Tin, however, needs to adapt fast to meet market challenges as our world moves forward at an astonishing pace.

As consumers demand more portable devices and electronics designers compete to fit more and more performance into ever smaller spaces, solder joints are shrinking. The whole technology of making circuit boards has been evolving for decades, away from components that you can pick up, poke through a hole and solder in place with a solder wire and hot iron. Today only larger components are assembled that way. Far more electronics is made by placing tiny components on top of the circuit board and fixing them with a small drop of solder paste. Some high-end developments are even talking about using 'solderless' technologies.

The effect on solder demand is measurable over the last decade and the transition is not yet complete in large use sectors such as China.

The good news is that there are positive drivers for solder too.

Another silent revolution in solder technology over the last decades has been the shift to lead-free soldering, adding 50% to tin use in each solder joint. Today 67% of solder use is lead-free globally. Driven by regulation, the switch has been stalled by exempted industries such as aerospace and defence, but this is starting to move again as compatible leaded components become harder to come by and inventory costs rise.

TIN MARKET REVIEW AND OUTLOOK (cont'd)

A recent United States of America industry survey forecast 89% transition to lead-free by 2024.

At the same time, electronics markets are evolving fast as more and more new technology starts to promise a very different future. Electric or even driverless vehicles packed with sensors and new entertainment systems all need solder joints. Automation, robotics and artificial intelligence are revolutionising transport, medicine and communications industries. Drones are set to deliver goods and even humans in entirely new ways. Renewable energy systems all need connecting and controlling. Three-dimentional ("3D") printing too needs entirely new electronics systems.

Tin chemicals use also faces challenges even though overall this sector has shown the most positive growth for tin. Regulation is pressuring all chemical use, especially in Europe, and tin is no exception. Some of the products used in plastics and on glass have needed to be phased out and some producers have launched alternatives. However, tin is adapting quickly and many of its markets in construction and transport, especially in emerging economies, are on the commodity scale.

Emerging economies offer promise to tinplate markets as food cans can bring new convenience to new middle-class families. Now also there are growing pressures on the huge environmental damage caused by plastic packaging waste and a new focus on the 'circular economy' for which the completely recyclable tin can is ideally suited. The challenge here though is whether tinplate has the ability to capture these opportunities and there are significant obstacles.

Traditional uses of tin in ceramics, plating and bronzes are also finding it hard to grow. Overall it seems clear that new uses are needed to help sustain long-term growth for tin.

Preparing for the Energy Revolution

Energy needs are set to be the major challenge of our generation and new technologies are rushing to meet the need. The ever adaptable properties of tin mean a huge new opportunity to compete for share in several sectors.

Energy storage is at the forefront of the race and tin is already embedded in the traditional and most widely used technology – lead-acid batteries. Added at up to 2% in battery grids and other metal components this has already grown to be the fourth-largest tin use. Tin is particularly used in high-end products such as start-stop batteries for mild hybrid cars and advanced lead-acid batteries that boost performance using carbon.

But already the next generation is taking market share. Lithium-ion battery technologies have advanced faster and costs fallen more sharply than predicted, driven by urgent needs for better technologies for zero-emission electric and hybrid vehicles. And beyond that sodium-ion and magnesium-ion batteries are already in the Research and Development ("R&D") labs. Tin has opportunity in all of these technologies as an increasing number of scientific papers and patents explore its use as an additive to electrodes that can significantly improve performance.

Generating energy in new ways is also critical as the world moves away from polluting fossil fuels. Solar energy installations are growing exponentially, using both solar cell technology and solar heat storage farms. Tin is competing well in both areas, with two leading low-cost technologies – kesterite and perovskite materials – likely to be used on architectural glass coatings in future cities to generate electricity. Thermoelectric tin materials such as tin selenide or magnesium stannide can also harvest waste heat energy.

In the longer term tin will also make a contribution to the hydrogen economy. As a catalyst it can split water to generate hydrogen or it can recombine it with oxygen in fuel cell membranes to produce electricity. Other research is exploring bubbling methane through liquid tin to make hydrogen more sustainably.

It remains to be seen which of these technologies will make it into our future world and how much of a contribution they will make to tin use. But it is clear that tin is set to continue making a difference to the lives of future generations.

RESPECTING OUR FUTURE

As we strive to meet the needs of today, we are also inspired to enhance the wellbeing of our local communities and environment to ultimately create a brighter world that enables future generations to lead better lives.

upholding
RESPONSIBLE MINING PRACTICES

implementing
PROGRESSIVE REHABILITATION STRATEGIES

empowering the
YOUNGER GENERATIONS

giving back to
LOCAL COMMUNITIES

CORPORATE SOCIAL RESPONSIBILITY

> Mine visit by Maktab Rendah Sains Mara ("MRSM"), Pengkalan Hulu.

> Mr. Richard Thibault, Senior General Manager of RHT paid a visit to Sekolah Kebangsaan Klian Intan, a local school within the premises.

A lot has been said about the need for businesses across the world to contribute to the development of the communities in which they operate in. This is no different for the MSC Group. As such, a number of platforms have been set up to ensure that these contributions are practical and identified by the community.

CSR can involve a range of activities such as partnering with local communities, investing in socially sensitive investments, developing relationships with employees, customers and their families, and getting involved in activities that promote environmental conservation and sustainability. Thus, it is the quintessence for gearing towards greater sustainability in the industry to ensure the long term livelihood of the community.

The MSC Group's CSR framework represents our philanthropic initiatives for its stakeholders, hence establishing the corporation as an agent of positive change in society. This helps improve our social legitimacy.

The Group continues to firmly embrace the *Social Licence to Operate* ("SLO") and *Environmental Licence to Operate* ("ELO") concepts amongst our other CSR initiatives to ensure that the Group's actions imprints a positive impression on our stakeholders and communities.

One of the most significant initiatives which MSC take enormous pride in, is our participation in the engagement and development of the ITRI Tin Supply Chain Initiatives ("iTSCi") scheme which allows the export of conflict free mineral from Democratic Republic of Congo ("DRC") and its neighboring countries. iTSCi, a traceability, tracking and due diligence programme, is 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. Further details of our engagements are reported separately under the Conflict Free Smelter ("CFS") Audit Report.

At MSC Group, our aspiration is to steer towards sustainability and good governance. As such, our CSR framework is structured on four strategic pillars; Local Communities, Human Resources, Safety and Health as well as Environmental Management. Our efforts, namely youth development and education, socio economic development and quality of life are built upon these core purposes. We believe that this approach will bring about a positive impact to the society whilst securing success for the organisation.

LOCAL COMMUNITIES

As a group, we understand the importance of coexisting with the community in fulfilling our role as a corporate citizen. Sustainability is about benefitting people in the long term, and in doing so, community engagement must play a central role. Community engagement is a way to understand, engage in and

At MSC Group, our aspiration is to steer towards sustainability and good governance.

act upon critical issues surrounding the workplace, marketplace and environment. It is about addressing the business objectives and building strong, invaluable relationships by being a part of the community in order to ensure sustainable economic advantage.

Our mining subsidiary, RHT situated in Klian Intan, Pengkalan Hulu continues to contribute to the betterment of the community by investing in various social contribution activities and volunteering support for non-profit organisations with a specific emphasis on health, education, religion and community aid at local and district levels. Last year alone, the Group contributed approximately RM120,000 to various charitable organisations and welfare establishments, including government authorities. This was done to maintain a good relationship while encouraging them to a greater sense of corporate citizenship within local companies.

The Group has always been of the thought that education holds the potential to unlock significant change in any community. We strongly believe that impactful skilled programmes will help foster young minds to be great future leaders. Thus, our close involvement with local CSR is the embodiment of gearing towards greater sustainability in the industry and ensuring the long term livelihood of the community.

HUMAN RESOURCES

The importance of employee welfare and ethical behaviour is at the heart of our business values. Our employees' wellbeing significantly impacts our business practices, and as such, we take this into consideration when making decisions about our operations and policies. Human resource development plays a key role in developing and

> *Site visit by Minerals & Geoscience Department (JMG) Perak.*

implementing sustainable strategies that help provide a functional support system for employee engagement which complies with employment and human rights standards. This, in turn creates a more valuable human capital resource.

We always encourage our employees to partake in consequential activities with the community. This mostly includes charitable contributions, volunteering or corporate sponsorship of community events, among others.

The Group conducted numerous workforce programmes designed to increase and enhance productivity at work. The RHT administrative had the opportunity to obtain the Datamine Software, which allows our engineers and geologists to manage, plan and optimise our mining operations. The Datamine team also conducted training and advisory consulting services at the mine so that the software is optimised to its full potential and can contribute towards improving work efficiency.

> *Our staff perform their part to meet the needs of blood banks by participating in the Blood Donation Campaign.*

> *Social gathering of employees as a recognition of the workforce's effort towards the company's achievement.*

CORPORATE SOCIAL RESPONSIBILITY (cont'd)

> Our employees at an inter-departmental football match at RHT.

> Chemical Spillage Control Course conducted by professional trainers.

Other Human Resource programmes also play a crucial role, particularly those that focus on how employees are motivated, incentivised, recruited and promoted. These programmes include the Excellent Performance & Long Service Awards, Family Day, and Annual Dinners to name a few. These practices help to ensure that our employees are recognised, promoted and rewarded.

The Group also provides incentives and benefits to our employees such as financial assistance for employees whose children are pursuing their tertiary education, food subsidies as well as recreational activities and employee's quarters.

We strongly emphasis on the health and safety of our people including the preservation of the environment.

SAFETY AND HEALTH

The working environment and nature of work are important influences to an individual's sense of worth and wellbeing. It is a basic human right to promote safety and health at work to secure economic sustainability and social benefits. We realise that it falls on our shoulders to have in place the necessary policies, processes, and support programmes to minimise the risk of employee illness or injury in the workplace.

As an entity that reigns as 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, we prioritise the health and safety of our people. Additionally, we also emphasise the preservation of the environment in which we operate in. This is in line with our core values here at MSC, where we aim to build a sustainable, profitable and growing organisation.

ENVIRONMENTAL MANAGEMENT

Supporting environmental awareness and conservation activities, especially those that reduce the environmental impacts of mining are an essential ingredient in conducting our business responsibly and successfully.

In RHT, we ensure that the excess water exiting the mining leases meet the regulatory standards. This is done by recycling processed water in the tailing ponds and restricting the discharge of mine effluent into the surrounding rivers.

As part of our rehabilitation efforts to maintain a greener working environment, we established our first nursery in 2011. This nursery was to propagate plants which would be later used in many landscaping works in the mine property.

> Progressive Rehabilitation – Slope controlled by the planted trees.

CONFLICT FREE SMELTER ("CFS") AUDIT REPORT

MSC continued to play a pivotal role in Central Africa by supporting the expansion of iTSCi beyond Katanga province. The iTSCi scheme has now moved to Maniema province and the South Kivu region.

MSC is committed to reaching out to all the stakeholders in the tin supply chain to promote due diligence activities. The successful implementation of the iTSCi programme has spurred more Artisanal and Small Scale Mining ("ASM") activities which are vital for the socio-economic growth of the communities who depend on it.

Given MSC's long presence in Central Africa and the crucial role it had played in the formulation of a sustainable tin supply chain initiative with ITRI back in 2010, it will continue to work with all parties who share its vision for a sustainable mineral sector in Central Africa.

MSC is committed to be a conflict free tin smelter by enhancing its status through a combination of efforts, and in close cooperation with Governments and Non-Governmental Organisations ("NGOs"). MSC has a dedicated internal CFS team for overseeing and executing its conflict free minerals compliance strategy. The team consists of individuals from relevant functional areas including operations and commercial departments. The team members have the necessary competence, knowledge and experience to oversee the supply chain due diligence process. With the CFS accreditation, MSC is fully committed to meeting the requirement of Electronic Industry Citizenship Coalition ("EICC"), Organisation for Economic Co-operation and Development ("OECD") and Governments of the affected countries and subscribes to a larger term sustainability objective of improving the tin mining industry of the region.

MSC maintains a Conflict Minerals Policy, available on its website, pursuant to which the company;

1. Avoids trade in cassiterite that directly or indirectly finances or benefits armed groups in DRC and/or adjoining countries (collectively referred to as the region).

MSC is committed to be a conflict free tin smelter by enhancing its status through a combination of efforts, and in close cooperation with Governments and NGOs.

> *Tin is meticulously organised and tagged in a warehouse in the DRC.*

2. Promote and support processes and schemes that legitimise minerals from the region to enter the global supply chain, thereby supporting the economy of the region and the local communities that depend on this trade for their livelihood.

3. Promote sustainable development of the tin industries in the region through investments in industrial scale exploration, mining, mineral processing and smelting of tin and associated minerals.

MSC had successfully completed the annual CFS Audit and has been certified as a CFS compliant smelter in 2016. MSC is now gearing for the next audit which is expected to be carried out in May 2017. It is committed to be validated as a responsible and sustainable tin smelter under the CFS Programme for 2017. This is an endorsement that all feed materials sourced from the DRC and the adjoining countries are conflict free. MSC continues to play an active role in the CFS Programme to bring about further improvements in the auditing process and the technical content of the auditing reference documents. As a certified CFS, MSC continues to exercise the iTSCi due diligence programme to trace materials for Level 1 and Level 3 countries by reviewing the data provided from the ground assessment and monitoring which includes incident reports, governance assessment, company audit report, mine visit reports and baseline reports. MSC will continue to enhance the due diligence platform in its business going forward.

CONFLICT FREE SMELTER ("CFS") AUDIT REPORT (cont'd)

MSC participated in a Mining Summit in Myanmar in 2016 which was hosted by the Ministry of Natural Resources and Environmental Conservation of Myanmar. The focus of the summit was on the country's mining activity and its sustainability. The emphasis was on supply chain and the need to forge close relationship among all the actors starting with miners, traders and the surrounding communities. MSC Business Development Manager, Mussadiq Hamid Merican, presented a paper titled "Regional Tin Market Outlook, Economics of Smelting Value Chain in Myanmar".

The Summit highlighted the immense growth of the minerals industry in Myanmar notably tin. There appears to be huge reserves of tin going by the recent articles published about Myanmar's mining sector. ITRI reported that about 50,000 tonnes tin-in-concentrates were produced in Myanmar primarily from the Wa state.

The most anticipated presentation was on the "Amended Mining Law and Regulation 2015" to replace the ageing 1994 mining rules. However this will only be tabled in Parliament in early 2017 before it officially replaces the mining rules of 1994. The new law will have more clout on sustainability and environmental protection. Contrary to expectations by many stakeholders and investors, the archaic and punitive production sharing clause (70:30) is expected to remain.

Whilst in Myanmar, MSC staff visited a few mine sites. The first stop was a mine site in Dawei to touch base with a major supplier to get some production updates as well as to conduct conflict free mineral due diligence for CFS Audit the following year.

The next visit was to a mine in the Myiek area. MSC is currently receiving a small volume but there is potential for bigger volume as the supplier has more than 200 acres of mineral prospecting/exploration areas.

In summary, the chance to network with tin ore miners and other mineral operators who are in a similar socio-political situation in Myanmar was a very valuable experience. It appears that the Amended Mining law 2015 will have to be cleared by the Government Unions before it is tabled in the Parliament. As a result and given that the current mining rules and product sharing scheme still applies, international traders will have opportunity to capture the market - offering miners a way out from the punishing production sharing tax structure. Mining sector in Myanmar is expected to grow. Based on the geological research and mineral reserves report, there are lots of potential tin reserves which have remained untapped or underexplored. With the new democratically elected Government in place and the eventual enactment of the new Amended Mining law, this could lead to a revival of mining industry in Myanmar.

> *Labourers enjoy better working conditions at the mines.*

> *School-going children enjoying the books donated to them.*

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 Group and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- to review and adopt a strategic plan for the Group to ensure sustainability of its business as the Board brings objectivity and breadth of judgment;
- to oversee the conduct of the Group's 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 internal control system and management information system.

To ensure the proper discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, 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 Chairman 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, 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 and Delegation of Authority which complement and reinforce 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.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

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

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 Designated Officers of the Group, namely Group General Manager of Internal Audit, Company Secretary, 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.

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 Responsibility are disclosed on pages 38 to 40 of this Annual Report.

Access to Information and Advice

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 in advance 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 six (6) members, all Non-Executive Directors, four (4) of whom are Independent. This composition fulfills the requirements set out under the 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 Board members are from different backgrounds with diverse perspectives. The mix of skills and experience is essential for successful attainment of corporate plans and objectives of the Group. A brief description of each of the Director's background is set out in the Directors' Profile on pages 12 to 14 of this Annual Report.

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

Nominating Committee

The Nominating Committee is responsible to advise the Board on the nomination of new Board members and/or Board Committee members and assessment of the effectiveness of the Board as a whole, the Committees of the Board, to conduct an assessment and evaluation on the contribution of each individual Director and effectiveness of the Audit Committee. The Nominating Committee is also responsible for reviewing the Board composition, gender diversity and right mix of skills and balance as well as considering the Board's succession planning and making recommendations for new appointment of Directors and Board Committees as well as identifying training programmes for the Board.

The Nominating Committee of the Company is currently composed of three (3) Non-Executive Directors, two (2) of whom are independent, including the Chairman, as follows:

Mr. Chia Chee Ming, Timothy
Chairman, Senior Independent Director

Mr. John Mathew a/l Mathai
Member, Independent Non-Executive Director

Ms. Chew Gek Khim
Member, Non-Independent Non-Executive Chairman

The Nominating Committee meets at least once a year, with additional meetings convened as and when necessary. During the financial year review, a total of two (2) Nominating Committee meetings were held and the attendance of the members for the meetings held are as detailed below:

		Number of Meetings Attended	Percentage of Attendance (%)
Chairman:	Mr. Chia Chee Ming, Timothy (Appointed as Chairman of the Committee on 20 May 2016)	1/1*	100
	Mr. Chew Kwee San (Ceased to be Chairman of the Committee on 16 May 2016)	1/1#	100
Members:	Mr. John Mathew a/l Mathai (Appointed as a member of the Committee on 4 April 2016)	1/1*	100
	Ms. Chew Gek Khim (Appointed as a member of the Committee on 20 May 2016)	1/1*	100
	En. Razman Ariffin (Ceased to be a member of the Committee on 23 March 2016)	1/1#	100
	Dato' Ng Jui Sia (Ceased to be a member of the Committee on 20 May 2016)	1/1#	100

Notes:

* Reflects the number of Nominating Committee meeting attended during the financial year after the date of appointment as Chairman/member of the Committee.

Reflects the number of Nominating Committee meeting attended during the financial year up to the date of cessation as Chairman/member of the Committee.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

Summary of Activities of the Nominating Committee

During the financial year review, the activities undertaken by the Nominating Committee include:

a) Reviewed and assessed the performance, and made recommendation to the Board for its approval in relation to the re-election of Directors at the forthcoming Annual General Meeting ("AGM").

b) Reviewed the composition of the Board on its required mix of skills, experience and their qualities of the Board.

c) Assessed the effectiveness of the Board as a whole and the Board Committees and the contribution of each Director.

d) Assessed the independence of Independent Directors.

e) Reviewed and assessed the performance and duties carried out by the Audit Committee.

f) Assessed the character, experience, integrity, competence and time commitment of Chief Executive Officer ("CEO") and Group Chief Financial Officer.

g) Assessed the training needs of each Director.

Recruitment Process and Annual Assessment of Directors

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 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. Nevertheless, the Board takes cognizance of the policy of the Government advocating for more women directors on the Board of PLCs, and shall give due considerations when assessing their candidature. Presently, there is one (1) woman director in the Board.

The Nominating Committee reviews and evaluates the performance of individual Director including Independent Non-Executive Directors, Board as a whole and Board Committees on an annual basis with the aim of providing individual contribution effectiveness of the Board and its Committees, identify gaps, maximise strengths and address weaknesses of the Board.

The assessment criteria used in the assessment of Board, Board Committees and individual Director include mix of skills and experience and size of the Board, quality of inputs, understanding of their roles, duties and responsibilities and etc.

The assessment of the independence of Independent Directors is in accordance with the criteria as set out in the Bursa Malaysia Main Market Listing Requirements.

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

Re-election/Re-appointment

The Company's Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each AGM. 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.

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 organisational structure, salient matters covered under the Board Charter, key strategic, operational, financial and compliance aspects of the Group, the Group's performance management system, informal discussions with members of the Board and scheduled site visits. This is geared towards ensuring that all Directors are familiar with and are able to appreciate the Group's operating environment and business dynamics to enable them to contribute effectively during Board deliberations.

All directors had completed the Mandatory Accreditation Programme under the auspices of Bursa Malaysia in 2016. 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 Auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

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.

The Remuneration Committee of the Company is currently composed of three (3) Non-Executive Directors, two (2) of whom are independent, including the Chairman, as follows:

Mr. Chia Chee Ming, Timothy
Chairman, Senior Independent Director

Mr. John Mathew a/l Mathai
Member, Independent Non-Executive Director

Ms. Chew Gek Khim
Member, Non-Independent Non-Executive Chairman

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

Remuneration Committee – Directors' Remuneration (cont'd)

The Remuneration Committee meets at least once a year, with additional meetings convened as and when necessary. During the financial year review, a total of two (2) Remuneration Committee meetings were held and the attendance of the members for the meetings held are as detailed below:

		Number of Meetings Attended	Percentage of Attendance (%)
Chairman:	Mr. Chia Chee Ming, Timothy (Appointed as Chairman of the Committee on 20 May 2016)	1/1*	100
	En. Razman Ariffin (Ceased to be Chairman of the Committee on 23 March 2016)	1/1#	100
Members:	Mr. John Mathew a/l Mathai (Appointed as a member of the Committee on 4 April 2016)	1/1*	100
	Ms. Chew Gek Khim (Appointed as a member of the Committee on 20 May 2016)	1/1*	100
	Ms. Gee Siew Yoong (Ceased to be a member of the Committee on 18 March 2016)	1/1#	100
	Mr. Chew Kwee San (Ceased to be a member of the Committee on 16 May 2016)	1/1#	100

Notes:

* Reflects the number of Remuneration Committee meeting attended during the financial year after the date of appointment as Chairman/member of the Committee.

Reflects the number of Remuneration Committee meeting attended during the financial year up to the date of cessation as Chairman/member of the Committee.

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 are also considered when determining the remuneration packages for Directors.

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and a subsidiary for the financial year ended 31 December 2016 are as follows:

<u>Company</u>

	Fees#	Other Emoluments	Total
Non-Executive Directors*	RM655,000	–	RM655,000

Notes:

Subject to the shareholders' approval at the forthcoming AGM.

* include Non-Executive Directors who resigned during the financial year ended 31 December 2016.

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

Remuneration Committee – Directors' Remuneration (cont'd)

Group

Description	Fees#	Other Emoluments	Total
Non-Executive Directors*	RM685,000	–	RM685,000

Notes:

Subject to the shareholders' approval at the forthcoming AGM.

* include Non-Executive Directors who resigned during the financial year ended 31 December 2016.

The number of Directors whose total remuneration falls within the following bands during the financial year ended 31 December 2016 is as follows:

Company

Bands	No. of Non-Executive Directors*
RM50,000 & below	6
RM50,001 – RM100,000	3
RM100,001 – RM150,000	2
RM150,001 – RM200,000	–
Above RM200,001	–

Note:

* include Non-Executive Directors who resigned during the financial year ended 31 December 2016.

Group

Bands	No. of Non-Executive Directors*
RM50,000 & below	5
RM50,001 – RM100,000	4
RM100,001 – RM150,000	1
RM150,001 – RM200,000	1
Above RM200,001	–

Note:

* include Non-Executive Directors who resigned during the financial year ended 31 December 2016.

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

Annual Assessment of Independence

Board balance and corporate accountability are respectively upheld through the presence of adequate numbers of Independent Non-Executive Directors. The Independent Non-Executive Directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement. They provide unbiased and independent judgment in ensuring that the strategies proposed are fully examined and considered in the interest of shareholders and other stakeholders.

The Nominating Committee has upon its annual assessment of independence, concluded that each of the four (4) Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

Tenure of Independent 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.

For the independent director of whom the tenure exceeds a cumulative term of nine (9) years, the independent director may continue to serve the Board subject to the director's re-designation as a non-independent director upon his/her completion of the nine (9) years. However, the Board may, in exceptional circumstances decide that a director remains as an independent director after serving a cumulative term of nine (9) years, subject to the following:

(i) assessment by the Nominating Committee, regarding the independence and contribution of the said Director; and

(ii) shareholders' approval in a general meeting, where the Board, assisted by the Nominating Committee, provides strong justification on such recommendation.

Chairman and CEO

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

Chairman

Ms. Chew Gek Khim, a Non-Independent Non-Executive Director, is the Chairman of the Company and she 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.

CEO

Dato' Dr. Ir. Patrick Yong Mian Thong as 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 maximising 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 organisation.

Non-Independent Chairman

The Board is chaired by a Non-Independent Non-Executive Director. The Board comprises a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

The Board meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting 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.

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

During the financial year under review, eleven (11) Board meetings were held and details of Directors' attendance are as follows:

Directors	Number of Board Meetings Attended	Percentage of Attendance (%)
Ms. Chew Gek Khim Non-Independent Non-Executive Chairman (Appointed as Non-Independent Non-Executive Director on 18 March 2016 and subsequently re-designated as Non-Independent Non-Executive Chairman on 11 May 2016)	8/8*	100
Mr. Chia Chee Ming, Timothy Senior Independent Director (Appointed on 19 May 2016 as Independent Non-Executive Director. Re-designated as Senior Independent Director on 24 February 2017.)	3/4*	75
Dato' Ng Jui Sia Independent Non-Executive Director (Appointed as Independent Non-Executive Director on 19 September 2012 and re-designated as Senior Independent Director on 1 July 2014. Re-designated as Independent Non-Executive Chairman on 23 March 2016 and subsequently re-designated as Senior Independent Director on 11 May 2016 and re-designated as Independent Non-Executive Director of the Company on 24 February 2017.)	11/11*	100
Mr. Peter Ho Kok Wai Independent Non-Executive Director (Appointed on 23 March 2016)	7/7*	100
Mr. John Mathew a/l Mathai Independent Non-Executive Director (Appointed on 23 March 2016)	7/7*	100
Mr. Yap Chee Keong Non-Independent Non-Executive Director (Appointed on 19 May 2016)	4/4*	100
En. Razman Ariffin Independent Non-Executive Director (Resigned on 23 March 2016)	3/3#	100
Ms. Gee Siew Yoong Independent Non-Executive Director (Resigned on 18 March 2016)	3/3#	100
Mr. Chew Hoy Ping Independent Non-Executive Director (Resigned on 23 March 2016)	3/3#	100
Mr. Chew Kwee San Non-Independent Non-Executive Director (Resigned on 16 May 2016)	7/7#	100
Ms. Maggie Yeo Sock Koon Non-Independent Non-Executive Director (Resigned on 16 May 2016)	7/7#	100

Notes:

* Reflects the number of Board meetings attended during the financial year after the date of appoiment as Chairman/member of the Board.

Reflects the number of Board meetings attended during the financial year up to the date of resignation as Chairman/member of the Board.

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

All Directors comply with the restriction of five (5) directorships on listed issuers as prescribed in the Listing Requirements.

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

Continuing Education Programmes

All Directors of the Company have attended the Mandatory Accreditation Programme as prescribed in the Listing Requirements.

The Directors are mindful that they should continue to update their skills and knowledge to maximize effectiveness as Directors during their tenure. The Directors have also attended various seminars, courses and training to keep abreast with the developments on a variety areas relevant to the Group's business. The conferences, seminars and training programmes attended by Directors were as follows:

Director	Date	Organiser	Title of the Programme
Ms. Chew Gek Khim	22 March 2016	National University of Singapore	Brexit Seminar
	1 - 2 April 2016	S Rajaratnam Endowment	Singapore Forum
	27 - 28 April 2016	Nanyang Technological University	Singapore Sustainability Symposium
	3 May 2016	ARA	ARA Director's Training
	1 - 2 June 2016	Bursatra Sdn. Bhd.	Mandatory Accreditation Programme for Directors of Public Listed Companies
	9 June 2016	Jones Lang Lasalle	Jones Lang Lasalle Breakfast Talk
	23 June 2016	Singapore Institute of Directors	Board Chairmen's Conversation on Internet of Things
	27 - 29 June 2016	The Compass Family Office Group	The Compass Family Office Group, Courances Conference
Dato' Ng Jui Sia	29 March 2016	Singapore Institute of Directors	Audit Committee Essentials
	7 April 2016	Singapore Institute of Directors	Remuneration Committee Essentials
	18 November 2016	Bursa Malaysia Berhad	CG Breakfast Series with Directors: The Cybersecurity Threat and How Board Should Mitigate the Risks
	17 May 2016	Institute of Risk Practitioners	Global Risk Conference - Turning Disruptions Into Competitive Advantage
Mr. Peter Ho Kok Wai	11 April 2016	Bursa Malaysia Berhad	Committee Programme – Part 2: Effective Board Evaluators
	1 June 2016	Bursa Malaysia Berhad	Sustainability Engagement Series for Directors/Chief Executive Officers
	7 June 2016	Malaysian Institute of Accounts	MIA-MICG Roundtable Discussion on Proposed Draft of the Malaysian Code on Corporate Governance 2016
	23 August 2016	Coalition for Business Integrity Berhad (CBI)	Seminar on Navigating Updates: An Essential Guide for Listed Issuers
	21 September 2016	KPMG	MFRS/FRS Updates 2016/2017
	26 October 2016	KPMG	KPMG in Malaysia Tax Summit 2016
Mr. John Mathew a/l Mathai	13 & 14 July 2016	Bursatra Sdn. Bhd.	Mandatory Accreditation Programme for Directors of Public Listed Companies
	11 October 2016	Companies Commission of Malaysia	SSM National Insolvency Conference 2016 - Companies Bill 2015: Modernising Corporate Insolvency Framework in Malaysia
	18 November 2016	Bursa Malaysia Berhad	CG Breakfast Series with Directors: The Cybersecurity Threat and How Board Should Mitigate the Risks
Mr. Yap Chee Keong	31 March 2016	Singapore Institute of Directors	SID Board Risk Committee Guidebook and ASEAN CG Scorecard
	7 - 8 September 2016	Bursatra Sdn. Bhd.	Mandatory Accreditation Programme for Directors of Public Listed Companies

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

Continuing Education Programmes (cont'd)

Director	Date	Organiser	Title of the Programme
Mr. Chia Chee Ming, Timothy	12 January 2016	Singapore Institute of Directors	ACRA: SGX-SID Audit Committee Seminar
	2 March 2016	TMS Academy	Directors-in-Dialogues: Boards At Risk
	16 August 2016	Singapore Institute of Directors	The State of Corporate Governance Disclosures in Singapore
	7 - 8 September 2016	Bursatra Sdn. Bhd.	Mandatory Accreditation Programme for Directors of Public Listed Companies

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

Compliance with Applicable Financial Reporting Standards

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 ("Bursa") and the Singapore Exchange ("SGX"). 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 2016 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 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 2016 in Malaysia.

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 two (2) times, without the presence of the Management, in order to have unfettered access to any information it may require to fulfill its responsibilities.

Assessment of Suitability and Independence of External Auditors

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 2016. Having satisfied itself with their technical competency, audit independence and fulfillment of criteria as set out in the policy, the Audit Committee recommended 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

Sound Risk Management Framework

Recognising the importance of risk management, the Board has in past years formalised a structured risk management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis. The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Internal Audit Function

In line with the MCCG 2012 and the 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 of the Group 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 and SGX 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 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.

Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires that any resolution set out in the notice of any general meeting, or any notice of resolution which may properly moved and is intended to be moved at any general meeting, is voted by poll for all AGM from 1 July 2016 onwards. The Company will be conducting its voting on all resolutions by poll accordingly.

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 and the SGX, 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 made in accordance with the resolution of the Board of Directors dated 24 March 2017.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2016.

Audit Fees and Non-Audit Fees

The audit fees paid/payable to the external auditors, Messrs Ernst & Young in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 31 December 2016 are as follows:

	The Company RM	The Group RM
Audit Fees	420,000	540,000
Non-Audit Fees	14,000	14,000

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors, Chief Executive and Major Shareholders' interest during the financial year ended 31 December 2016.

Recurrent Related Party Transactions of Revenue or Trading Nature

During the financial year, the Company and its subsidiaries had not entered into any recurrent related party transactions, which are of revenue or trading nature, which requires shareholders' mandate.

AUDIT COMMITTEE REPORT

The Audit Committee was established on 30 August 1994 with the principle objective to assist the Board of Directors (the "Board") in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls and financial reporting practices of the Group. In performing their duties and discharging their responsibilities, the Audit Committee is guided by its terms of reference ("TOR"). The Audit Committee's TOR is available at the Company's website at www.msmelt.com.

Composition of the Audit Committee

The Audit Committee of the Company is currently composed of three (3) Non-Executive Directors, two (2) of whom are independent, including the Chairman, as follows:

Mr. Peter Ho Kok Wai
Chairman, Independent Non-Executive Director

Dato' Ng Jui Sia
Member, Independent Non-Executive Director

Mr. Yap Chee Keong
Member, Non-Independent Non-Executive Director

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

Meetings

The Committee convened five (5) meetings during the financial year ended 31 December 2016. The details of attendance of each member at the Audit Committee meetings are as follows:

		Number of Meetings Attended	Percentage of Attendance (%)
Chairman:	Mr. Peter Ho Kok Wai (Appointed as a member of the Committee on 23 March 2016 and re-designated as Chairman of the Committee on 20 May 2016)	3/3*	100
	Mr. Chew Hoy Ping (Ceased to be Chairman of the Committee on 23 March 2016)	2/2#	100
Members:	Dato' Ng Jui Sia (Appointed as a member of the Committee on 19 September 2012)	5/5*	100
	Mr. Yap Chee Keong (Appointed as a member of the Committee on 20 May 2016)	2/2*	100
	Ms. Maggie Yeo Sock Koon (Ceased to be a member of the Committee on 16 May 2016)	3/3#	100
	Ms. Gee Siew Yoong (Ceased to be a member of the Committee on 18 March 2016)	2/2#	100

Notes:

* Reflects the number of Audit Committee meeting attended during the financial year after the date of appointment as Chairman/member of the Committee.

\# Reflects the number of Audit Committee meeting attended during the financial year up to the date of cessation as Chairman /member of the Committee

Meetings (cont'd)

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 ("CEO"), Group Chief Financial Officer ("GCFO"), Group Chief Operating Officers and other Senior Management staff 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, including trainings which are relevant to their discharge of duties as the Committee members. Details of training attended by each member are set out on pages 52 to 53 of this Annual Report.

During the financial year, the Committee Chairman continuously engaged with the CEO 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; and
  (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. Significant issues resulting from the audit of the financial statements by the External Auditors were deliberated.

- 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 and other matters the External Auditors wished to discuss with the Committee;

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. The Committee has obtained written assurance from the External Auditors that they remained independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Non-audit fees totaling RM14,000 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 and other audit services;

- 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 CEO, GCFO 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; and

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

Internal Audit Function

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

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

A summary of the works 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 risk-based basis to review the adequacy of internal controls in the auditable areas and to assess consistency in the compliance with established policies and procedures. Verification (on sampling basis) of the existence, adequacy and effectiveness of risk controls established by Management within the selected processes and/or sub-processes covering 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 and management action plans to mitigate identified risks, with copies extended to Management, highlighting deficiencies together with corresponding improvement opportunities. The Group General Manager, Internal Audit attended all Audit Committee meetings and presented reports on areas of audit concern for the Committee's deliberation; and

- Monitored remedial action taken by Management in response to recommendations made to address 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 2016 was RM895,000.

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 60 to 62 of this Annual Report.

This Report is made in accordance with the resolution of the Board of Directors dated 24 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Paragraph 15.26(b) of the Bursa's Main Market Listing Requirements requires the Board of Directors (the "Board") of listed issuers to include in its Annual Report a "statement about the state of risk management and internal control of the listed issuer as a group". The Board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control (this "Statement"), which outlines the nature and scope of the risk management and internal control systems of the Group during the financial year ended 31 December 2016.

Board's Responsibility

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

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

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

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

Risk Management

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

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

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

- A risk management structure which outlines the lines of reporting and establishes the responsibilities at different levels, i.e. The Board, Audit Committee and Management, as follows:

  > Board and Audit Committee – to maintain a sound risk management and internal controls system in the Group;

  > Group Risk Management Steering Committee ("GRMSC") – comprises the Chief Executive Officer ("CEO") and the heads of respective business units which are tasked to review and approve the annual risk management work plan and report significant risk issues to the Audit Committee. The GRMSC is assisted by a Group Risk Manager; and

  > Sub-committees ("SC") – to review the risk profiles and performance of business units and reports to the GRMSC.

Risk Management (cont'd)

- Identification of principal risks (present and potential) faced by business units in the Group and Management's plans to mitigate or manage these risks. For the financial year under review, risk assessments and updates were undertaken by all six (6) SCs, led by the heads of respective business units. The results of these assessments and management action plans to manage critical risks were reported by the SCs to the GRMSC for their further review. The Audit Committee, with assistance from the Group Internal Audit function, GRMSC and external consultants, then reviewed the Group Risk Profile which was compiled from the review of the risk profiles and risk registers for the SCs. 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;

- Risk Management Policy and Guidelines Document was reviewed and updated 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 ongoing 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 Audit Committee on the adequacy and effectiveness of risk management, internal control and governance systems.

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

The Audit Committee evaluates the internal audit function to assess its effectiveness in the discharge of its responsibilities. The Internal Audit Function is guided by the International Professional Practices Framework issued by the Institute of Internal Auditors.

Further details of works undertaken by the Internal Audit function are set out in the Audit Committee Report on pages 56 to 59 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 through Expenditure Controls and Delegation of Authority Limits Policy for both the Company and its subsidiary.

Internal Control (cont'd)

(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 CEO reports to the Board on significant changes in the business and the external environment;

- The Group Chief Financial Officer ("GCFO") provides the Board with quarterly financial information, which includes key financial indicators;

- Management information, which includes the monthly management reports covering both key financial and operational information, is provided to key Management for monitoring of performance against the business plan;

- Management Team meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues; and

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

(d) Insurance

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

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

Commentary on the Adequacy and Effectiveness of the Group's Risk Management and Internal Control Systems

The Board has received assurance in writing from the CEO and the GCFO that the Group's risk management and internal control system has been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Based on this assurance, the input from relevant assurance providers, as well as its review, the Board is of the view that the risk management and internal control system is adequate to meet the needs of the Group in addressing financial, operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. Notwithstanding this, the Board and senior management remains committed to strengthening the Group's control environment and processes. This is a continuous and on-going process and appropriate action plans will be put in place to enhance the Group's system of internal control as and when necessary.

Pursuant to Paragraph 15.23 of the Bursa'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 2016 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

This Statement is made in accordance with the resolution of the Board of Directors dated 24 March 2017.

we aim to nurture and

RESPECT

our communities

CONTENTS

64 Statement of Responsibility by Directors
65 Directors' Report
69 Statement by Directors
69 Statutory Declaration
70 Independent Auditors' Report
73 Statements of Profit or Loss
75 Statements of Comprehensive Income
76 Statements of Financial Position
78 Statements of Changes In Equity
80 Statements of Cash Flows
83 Notes to the Financial Statements
187 Supplementary Information

STATEMENT OF RESPONSIBILITY BY DIRECTORS

In respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records which give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year ended 31 December 2016.

In preparing the annual audited financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Made an assessment of the Group's and of the Company's ability to continue as a going concern

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and of the Company, to prevent and detect fraud and other irregularities.

This Statement is made in accordance with the resolution of the Board of Directors dated 24 March 2017.

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 2016.

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, associates and joint ventures are set out in Note 18 and 19 to the financial statements respectively.

Results

	Group RM'000	Company RM'000
Profit net of tax	**34,332**	**25,865**
Profit attributable to:		
Owners of the Company	34,334	25,865
Non-controlling interests	(2)	–
	34,332	**25,865**

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

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a final single-tier dividend of RM0.08 per share (2015: RM Nil) amounting to RM8,000,000 (2015: RM Nil) for the financial year ended 31 December 2016.

The financial statements for the financial year ended 31 December 2016 do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

Share capital

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

Directors

The name of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Ms. Chew Gek Khim	(Appointed as Director on 18 March 2016) (Appointed as Chairman on 11 May 2016)
Dato' Ng Jui Sia*	
Mr. Peter Ho Kok Wai*	(Appointed on 23 March 2016)
Mr. John Mathew a/l Mathai	(Appointed on 23 March 2016)
Mr. Yap Chee Keong*	(Appointed on 19 May 2016)
Mr. Chia Chee Ming, Timothy	(Appointed on 19 May 2016)
Mr. Chew Kwee San	(Resigned on 16 May 2016)
Ms. Maggie Yeo Sock Koon	(Resigned on 16 May 2016)
Ms. Gee Siew Yoong	(Resigned on 18 March 2016)
En. Razman Ariffin	(Resigned on 23 March 2016)
Mr. Chew Hoy Ping	(Resigned on 23 March 2016)

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

In accordance with Article 101 of the Articles of Association of the Company, Ms. Chew Gek Khim retires by rotation at the forthcoming Annual General Meeting and being eligible offers herself for re-election.

In accordance with Article 106 of the Articles of Association of the Company, Mr. Yap Chee Keong and Mr. Chia Chee Ming, Timothy retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

The details of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report are disclosed in Note 18.

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 35 to the financial statements.

Indemnities to directors, officers or auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company, other than as disclosed in Note 4 to the financial statements.

Directors' interests

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

	Number of ordinary shares issued			
	Date of appointment	Bought	Sold	31 December 2016
Ultimate Holding Company				
Tan Chin Tuan Pte. Ltd.				
Direct Interest				
Ms. Chew Gek Khim	92,478,922	–	–	**92,478,922**
Immediate holding company				
The Straits Trading Company Limited				
Direct interest				
Ms. Chew Gek Khim	41,200	–	–	**41,200**
Mr. Chia Chee Ming, Timothy	3,900	–	–	**3,900**

	Number of ordinary shares of RM1 each			
	Date of appointment	Bought	Sold	31 December 2016
The Company				
Direct interest				
Ms. Chew Gek Khim	400,000	–	–	**400,000**

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

Other statutory information

(a) Before the statements of profit or loss 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.

Other statutory information (cont'd)

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

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

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

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

(f) In the opinion of the directors:

(i) 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 39 to the financial statements.

Auditors

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

Auditors' remuneration are disclosed in Note 4 to the financial statements.

Signed on behalf of the board in accordance with a resolution of the directors dated 24 March 2017.

Chew Gek Khim **Peter Ho Kok Wai**

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Chew Gek Khim and Peter Ho Kok Wai, 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 73 to 186 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 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 24 March 2017.

Chew Gek Khim **Peter Ho Kok Wai**

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

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 73 to 187 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Yap Fook Ping
at Georgetown in the State of Penang
on 24 March 2017

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 audit of the financial statements

Opinion

We have audited the financial statements of Malaysia Smelting Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 73 to 186.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their 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.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Provision for mine restoration costs

As disclosed in Note 27 to the financial statements, the Group recorded a provision for mine restoration costs of RM26.728 million in respect of restoration and rehabilitation obligations of its subsidiary as at 31 December 2016 based on consultation with an expert in mine rehabilitation. The provision for mine restoration costs was significant to our audit because significant judgement and estimation are required in determining the intended method of restoration and rehabilitation pending approval of the mine rehabilitation plan by the authorities, the future estimated expenditure and the discount rate used to discount these future expenditure to net present value.

In addressing this risk, we considered the objectivity, independence and expertise of the mine rehabilitation expert engaged by the Group. We obtained an understanding of the methodology adopted by the expert in estimating the restoration and rehabilitation obligations and assessed whether such methodology is consistent with those used in the industry. We also considered management's assessment on the adequacy of the provision for mine restoration costs. We obtained an understanding of the intended method of restoration and rehabilitation. In addition, we assessed whether the discount rate used to determine the net present value of the restoration and rehabilitation obligations reflects current market assessments of the time value of money and the risks specific to the liability.

We have also focused on the adequacy of the Group's disclosure about the significant judgement and estimate involved in determining the provision for mine restoration costs.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (cont'd)

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

Auditors' responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities

The supplementary information set out in Note 41 on page 187 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lim Foo Chew
No. 1748/01/18(J)
Chartered Accountant

Penang, Malaysia
24 March 2017

STATEMENTS OF PROFIT OR LOSS
for the financial year ended 31 December 2016

	Note	Group		Company	
		2016	**2015**	**2016**	**2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue					
Tin mining and smelting revenue		**1,477,941**	1,464,855	**1,477,937**	1,464,852
Other items of income					
Dividend income	5	**–**	–	**9**	3,276
Interest income	6	**3,493**	4,713	**3,593**	3,968
Other income/(loss)	7	**7,424**	(52,646)	**8,985**	(51,509)
Expenses					
Costs of tin mining and smelting		**(1,314,206)**	(1,328,548)	**(1,372,509)**	(1,369,171)
Employee benefits expense	8	**(54,115)**	(49,782)	**(36,601)**	(32,746)
Depreciation expense	4	**(9,184)**	(7,392)	**(3,927)**	(3,479)
Amortisation expense		**(1,975)**	(1,982)	**(3)**	(3)
Impairment losses	11	**(37,536)**	(6,733)	**(28,479)**	(7,427)
Finance costs	9	**(12,650)**	(13,970)	**(13,035)**	(13,608)
Other expenses	10	**(9,596)**	(6,960)	**(4,937)**	(5,821)
Total expenses		**(1,439,262)**	(1,415,367)	**(1,459,491)**	(1,432,255)
Share of results of associates and joint ventures		**(89)**	1,683	**–**	–
Profit/(Loss) before tax	4	**49,507**	3,238	**31,033**	(11,668)
Income tax expense	12	**(15,175)**	(8,038)	**(5,168)**	(2,917)
Profit/(Loss) net of tax		**34,332**	(4,800)	**25,865**	(14,585)

STATEMENTS OF PROFIT OR LOSS (cont'd)

for the financial year ended 31 December 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Attributable to:					
Owners of the Company		**34,334**	(4,795)	**25,865**	(14,585)
Non-controlling interests		**(2)**	(5)	**–**	–
		34,332	(4,800)	**25,865**	(14,585)

		Group	
		2016	2015
Earnings/(Loss) per share attributable to owners of the Company (sen per share):			
Basic and diluted	13	**34.3**	(4.8)

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 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) net of tax	**34,332**	(4,800)	**25,865**	(14,585)
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Revaluation surplus on property, plant and equipment, net	**2,881**	4,179	**235**	1,102
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	**7,974**	–	**7,974**	–
	10,855	4,179	**8,209**	1,102
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	**(1)**	(8)	**–**	–
Net fair value loss on available-for-sale investment securities	**–**	(1,868)	**–**	(1,868)
Net fair value changes on cash flow hedges	**5,394**	(2,528)	**5,394**	(2,528)
Realisation of foreign currency translation reserves to profit or loss on partial disposal of a joint venture	**1,935**	–	**–**	–
Share of foreign currency translation of an associate and a joint venture	**(10,041)**	12,057	**–**	–
	(2,713)	7,653	**5,394**	(4,396)
Other comprehensive income for the year, net of tax	**8,142**	11,832	**13,603**	(3,294)
Total comprehensive income for the year	**42,474**	7,032	**39,468**	(17,879)
Total comprehensive income attributable to:				
Owners of the Company	**42,476**	7,037	**39,468**	(17,879)
Non-controlling interests	**(2)**	(5)	**–**	–
Total comprehensive income for the year	**42,474**	7,032	**39,468**	(17,879)

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	**154,615**	98,893	**32,532**	33,832
Prepaid land lease payments	16	**773**	806	**–**	–
Base inventory		**3,000**	3,000	**3,000**	3,000
Intangible assets	17	**6,995**	7,930	**207**	210
Investment in subsidiaries	18	**–**	–	**148,681**	148,681
Investment in associates and joint ventures	19	**37,336**	84,469	**18,666**	46,603
Investment securities	20	**23,423**	12,930	**23,423**	12,930
Other non-current assets	21	**15,025**	12,375	**–**	–
Other receivables	24	**–**	5,637	**–**	5,637
Deferred tax assets	32	**3,986**	2,099	**–**	310
		245,153	228,139	**226,509**	251,203
Current assets					
Inventories	22	**374,249**	269,115	**376,855**	254,809
Trade receivables	23	**30,733**	43,397	**30,729**	43,395
Other receivables	24	**12,969**	12,519	**32,596**	27,949
Trade prepayments	25	**36,267**	106,604	**36,267**	106,604
Other prepayments		**3,352**	3,027	**3,347**	2,640
Tax recoverable		**11,480**	10,327	**11,480**	10,327
Cash, bank balances and deposits	26	**80,391**	133,874	**70,871**	99,778
		549,441	578,863	**562,145**	545,502
Total assets		**794,594**	807,002	**788,654**	796,705

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Equity and liabilities					
Current liabilities					
Provisions	27	**12,035**	9,635	**9,635**	9,635
Borrowings	28	**289,187**	392,049	**289,187**	392,049
Trade and other payables	29	**126,159**	134,421	**205,738**	139,117
Current tax payable		**5,338**	185	**–**	–
Derivative financial instruments	33	**2,676**	10,064	**2,676**	10,064
		435,395	546,354	**507,236**	550,865
Net current assets/(liabilities)		**114,046**	32,509	**54,909**	(5,363)
Non-current liabilities					
Provisions	27	**26,728**	18,000	**–**	–
Deferred tax liabilities	32	**1,959**	1,394	**455**	–
Borrowings	28	**50,282**	–	**–**	–
Derivative financial instruments	33	**847**	–	**–**	–
		79,816	19,394	**455**	–
Total liabilities		**515,211**	565,748	**507,691**	550,865
Net assets		**279,383**	241,254	**280,963**	245,840
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	**38,383**	33,435	**11,619**	1,210
Retained earnings		**64,334**	31,151	**94,678**	69,964
		279,089	240,958	**280,963**	245,840
Non-controlling interests		**294**	296	**–**	–
Total equity		**279,383**	241,254	**280,963**	245,840
Total equity and liabilities		**794,594**	807,002	**788,654**	796,705

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 2016

		← 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	FVOCI reserves RM'000	Hedging reserves RM'000	Retained earnings RM'000	Non-controlling interests RM'000
Group												
At 1 January 2015		234,222	233,921	100,000	76,372	24,666	(736)	2,259	–	(4,586)	35,946	301
Loss for the year		(4,800)	(4,795)	–	–	–	–	–	–	–	(4,795)	(5)
Other comprehensive income		11,832	11,832	–	–	4,179	12,049	(1,868)	–	(2,528)	–	–
Total comprehensive income		7,032	7,037	–	–	4,179	12,049	(1,868)	–	(2,528)	(4,795)	(5)
At 31 December 2015		241,254	240,958	100,000	76,372	28,845	11,313	391	–	(7,114)	31,151	296
At 1 January 2016		**241,254**	**240,958**	**100,000**	**76,372**	**28,845**	**11,313**	**391**	**–**	**(7,114)**	**31,151**	**296**
Effect of MFRS 9 *Financial Instruments* adoption	**2.2**	**(4,345)**	**(4,345)**	**–**	**–**	**–**	**–**	**(391)**	**(2,803)**	**–**	**(1,151)**	**–**
At 1 January 2016 (restated)		**236,909**	**236,613**	**100,000**	**76,372**	**28,845**	**11,313**	**–**	**(2,803)**	**(7,114)**	**30,000**	**296**
Profit for the year		**34,332**	**34,334**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**34,334**	**(2)**
Other comprehensive income		**8,142**	**8,142**	**–**	**–**	**2,881**	**(8,107)**	**–**	**7,974**	**5,394**	**–**	**–**
Total comprehensive income		**42,474**	**42,476**	**–**	**–**	**2,881**	**(8,107)**	**–**	**7,974**	**5,394**	**34,334**	**(2)**
At 31 December 2016		**279,383**	**279,089**	**100,000**	**76,372**	**31,726**	**3,206**	**–**	**5,171**	**(1,720)**	**64,334**	**294**

			←	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	FVOCI reserves RM'000	Hedging reserves RM'000	Retained earnings RM'000
Company									
At 1 January 2015		263,719	100,000	74,666	6,831	2,259	–	(4,586)	84,549
Loss for the year		(14,585)	–	–	–	–	–	–	(14,585)
Other comprehensive income		(3,294)	–	–	1,102	(1,868)	–	(2,528)	–
Total comprehensive income		(17,879)	–	–	1,102	(1,868)	–	(2,528)	(14,585)
At 31 December 2015		245,840	100,000	74,666	7,933	391	–	(7,114)	69,964
At 1 January 2016		**245,840**	**100,000**	**74,666**	**7,933**	**391**	**–**	**(7,114)**	**69,964**
Effect of MFRS 9 *Financial Instruments* adoption	**2.2**	**(4,345)**	**–**	**–**	**–**	**(391)**	**(2,803)**	**–**	**(1,151)**
At 1 January 2016 (restated)		**241,495**	**100,000**	**74,666**	**7,933**	**–**	**(2,803)**	**(7,114)**	**68,813**
Profit for the year		**25,865**	**–**	**–**	**–**	**–**	**–**	**–**	**25,865**
Other comprehensive income		**13,603**	**–**	**–**	**235**	**–**	**7,974**	**5,394**	**–**
Total comprehensive income		**39,468**	**–**	**–**	**235**	**–**	**7,974**	**5,394**	**25,865**
At 31 December 2016		**280,963**	**100,000**	**74,666**	**8,168**	**–**	**5,171**	**(1,720)**	**94,678**

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 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Operating activities					
Profit/(Loss) before tax		**49,507**	3,238	**31,033**	(11,668)
Adjustments for:					
Amortisation of intangible assets		**935**	938	**3**	3
Amortisation of mine properties	4	**1,007**	1,011	**–**	–
Amortisation of prepaid land lease payments	4	**33**	33	**–**	–
Deferred mine exploration and evaluation expenditures expensed off	21	**–**	7	**–**	–
Depreciation	4	**9,184**	7,392	**3,927**	3,479
Dividend income received from a subsidiary	5	**–**	–	**–**	(3,267)
Dividend income received from an associate and a joint venture	5	**–**	–	**(9)**	(9)
Fair value changes in ineffective portion of derivatives designated as hedging instruments in cash flow hedge	7	**(289)**	654	**(289)**	654
Fair value changes in forward currency contracts	7	**847**	–	**–**	–
Fair value changes in interest rate swap	7	**(2)**	(55)	**(2)**	(55)
Gain on disposal of property, plant and equipment	7	**(59)**	(12)	**(57)**	(12)
Gain on partial disposal of a joint venture	7	**(11,541)**	–	**(13,476)**	–
Impairment of receivables	11	**5,568**	5,824	**5,568**	5,824
Impairment of advances to supplier	11	**31,202**	–	**31,202**	–
Impairment/(Reversal of impairment) of investment in associates and joint ventures	11	**766**	580	**(8,291)**	1,274
Impairment of investment securities	11	**–**	329	**–**	329
Interest expense		**11,914**	13,595	**13,019**	13,595
Interest income	6	**(3,493)**	(4,713)	**(3,593)**	(3,968)
Property, plant and equipment written off	10	**1**	–	**–**	–
Reversal of revaluation deficit on property	7	**(61)**	(21)	**–**	–
Share of results of associates and joint ventures		**89**	(1,683)	**–**	–
Unrealised loss on exchange		**6,817**	5,523	**6,529**	5,531
Unwinding of discount on provision	9	**720**	362	**–**	–
(Reversal of inventories written down)/Inventories written down to net realisable value	4	**(17,400)**	14,200	**(17,400)**	14,200
Write off of other prepayments	10	**635**	–	**–**	–
Operating cash flows before changes in working capital		**86,380**	47,202	**48,164**	25,910

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Operating activities (cont'd)					
Increase in inventories		**(87,734)**	(29,363)	**(104,646)**	(17,492)
Decrease in receivables		**4,362**	32,378	**6,893**	32,812
(Increase)/Decrease in amounts due from subsidiaries		**–**	–	**(6,133)**	1,301
Decrease/(Increase) in amounts due from associates and joint ventures		**3,277**	(2,595)	**3,277**	(2,595)
Decrease/(Increase) in trade prepayments		**39,135**	(86,762)	**39,135**	(86,762)
Increase in other prepayments		**(1,753)**	(590)	**(1,515)**	(265)
Increase in payables		**37,028**	42,992	**32,756**	38,971
Increase/(Decrease) in amount due to holding company		**611**	–	**(9)**	–
Increase in amount due to subsidiaries		**–**	–	**76,284**	12,573
Cash generated from operations		**81,306**	3,262	**94,206**	4,453
Income tax paid		**(15,940)**	(11,745)	**(8,843)**	(7,590)
Interest paid		**(10,825)**	(14,480)	**(10,825)**	(14,480)
Net cash generated from/(used in) operating activities		**54,541**	(22,963)	**74,538**	(17,617)
Investing activities					
Interest received		**3,102**	4,166	**2,610**	2,941
Net dividend received from an associate	5	**9**	9	**9**	9
Net dividend received from a subsidiary	5	**–**	–	**–**	3,267
Payment for deferred mine exploration and evaluation expenditures and mine properties	21	**(3,657)**	(1,935)	**–**	–
Withdrawal/(Placement) of deposits of more than three months maturity with licensed banks		**3,234**	(5,234)	**–**	(2,000)
Proceeds from disposal of property, plant and equipment		**84**	12	**82**	12
Purchase of property, plant and equipment		**(53,751)**	(5,692)	**(2,342)**	(5,190)
Purchase of an investment security		**–**	(7,925)	**–**	(7,925)
Net cash (used in)/generated from investing activities		**(50,979)**	(16,599)	**359**	(8,886)

STATEMENTS OF CASH FLOWS (cont'd)

for the financial year ended 31 December 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Financing activities					
(Repayment)/Drawdown of short term trade financing and other borrowings		**(97,361)**	70,843	**(97,361)**	70,843
Drawdown of term loan		**49,993**	–	**–**	–
Repayment of term loan		**(6,011)**	(21,009)	**(6,011)**	(21,009)
Net cash (used in)/generated from financing activities		**(53,379)**	49,834	**(103,372)**	49,834
Net (decrease)/increase in cash and cash equivalents		**(49,817)**	10,272	**(28,475)**	23,331
Effect of changes in foreign exchange rates		**(501)**	(17)	**(501)**	(17)
Cash and cash equivalents as at 1 January		**127,191**	116,936	**96,329**	73,015
Cash and cash equivalents as at 31 December	26	**76,873**	127,191	**67,353**	96,329

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

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The Company is secondarily listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Registered Office of the Company is located at B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at 27, Jalan Pantai, 12000 Butterworth, Penang, 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 Tan Chin Tuan Pte. Ltd., 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, 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 2016, the Group and the Company have adopted the following new standards, amendments and annual improvements to MFRS mandatory for annual financial periods beginning on or after 1 January 2016.

Description	*Effective for annual periods beginning on or after*
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 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
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

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

2.2 Changes in accounting policies (cont'd)

Adoption of the above standards did not have any effect on the financial performance or position of the Group and the Company, except as disclosed below:

Amendments to MFRS 101: Disclosure Initiative

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

MFRS 9 Financial Instruments

On 1 January 2016, the Group and the Company have elected to early adopt MFRS 9 *Financial Instruments*, which is mandatory for the financial periods beginning on or after 1 January 2018. The Group and the Company have chosen to continue to apply the hedge accounting requirements in MFRS 139 as its policy choice in initial adoption of MFRS 9. In accordance with the transitional provision under paragraph 7.2.15 of this Standard, comparatives are not restated and the financial impact on the adoption of this Standard is recognised in retained earnings as at 1 January 2016.

Classification and measurement

MFRS 9 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification under MFRS 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category – financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

MFRS 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in OCI.

Derivatives and hybrid contracts with financial asset hosts where contractual cash flows are not solely payments of principal and interest are required to be classified at fair value through profit or loss.

Impairment

MRFS 9 requires the Group and the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI, lease receivable and financial guarantee. The Group and the Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Transition

The changes in accounting policies have been applied retrospectively. The Group and the Company have elected not to adjust the comparative information as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2016.

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

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

The effects of early adoption to opening retained earnings on the financial statements are as follows:

	Group 1 January 2016 RM'000	Company 1 January 2016 RM'000
Opening retained earnings	31,151	69,964
Reclassification of impairment for available-for-sale equity instruments	4,203	4,203
Impairment loss on other receivables	(5,354)	(5,354)
Total adjustment to opening retained earnings from adoption of MFRS 9	(1,151)	(1,151)
Opening retained earnings (Restated)	30,000	68,813

The qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of MRFS 9 is as follows:

<u>Reclassification of quoted equity securities from available-for-sale to fair value through other comprehensive income</u>

The Group and the Company have elected to measure its quoted equity securities at fair value through other comprehensive income. Impairment losses previously recognised in profit or loss were reversed and recognised in opening retained earnings on 1 January 2016.

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

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

The following table summarises the reclassification and measurement of the Group's and of the Company's financial assets and liabilities as at 1 January 2016:

	Measurement category		Carrying amount as at 1 January 2016	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Group				
Non-current financial assets				
Investment securities				
- Quoted investments	Available-for-sale	FVOCI	**12,930**	**12,930**
- Unquoted investment	Available-for-sale	FVOCI	**–**	**–**
Other receivables	Loans and receivables	Amortised cost	**5,637**	**2,823**
Current financial assets				
Trade receivables	Loans and receivables	Amortised cost	**46,138**	**46,138**
Other receivables	Loans and receivables	Amortised cost	**12,519**	**9,979**
Cash, bank balances and deposits	Loans and receivables	Amortised cost	**133,874**	**133,874**
Current liabilities				
Borrowings	Financial liabilities at amortised cost	Amortised cost	**392,049**	**392,049**
Trade and other payables	Financial liabilities at amortised cost	Amortised cost	**134,421**	**134,421**
Company				
Non-current financial assets				
Investment securities				
- Quoted investments	Available-for-sale	FVOCI	**12,930**	**12,930**
- Unquoted investment	Available-for-sale	FVOCI	**–**	**–**
Other receivables	Loans and receivables	Amortised cost	**5,637**	**2,823**
Current financial assets				
Trade receivables	Loans and receivables	Amortised cost	**46,136**	**46,136**
Other receivables	Loans and receivables	Amortised cost	**27,949**	**25,409**
Cash, bank balances and deposits	Loans and receivables	Amortised cost	**99,778**	**99,778**
Current liabilities				
Borrowings	Financial liabilities at amortised cost	Amortised cost	**392,049**	**392,049**
Trade and other payables	Financial liabilities at amortised cost	Amortised cost	**139,117**	**139,117**

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

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

The following tables are reconciliations of the carrying amount of the Group's and of the Company's statement of financial position from MFRS 139 *Financial Instruments: Recognition and Measurement* to MFRS 9 *Financial Instruments* as at 1 January 2016:

	Original (MFRS 139) Carrying amount as at 31 December 2015 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount as at 1 January 2016 RM'000
Group				
Other receivables (non-current)	5,637	–	(2,814)	**2,823**
Other receivables (current)	12,519	–	(2,540)	**9,979**
Deferred tax liabilities	1,394	(1,009)	–	**385**
Retained earnings	31,151	4,203	(5,354)	**30,000**
Available-for-sale reserves	391	(391)	–	**–**
FVOCI reserves	–	(2,803)	–	**(2,803)**
Company				
Other receivables (non-current)	5,637	–	(2,814)	**2,823**
Deferred tax assets	310	1,009	–	**1,319**
Other receivables (current)	27,949	–	(2,540)	**25,409**
Retained earnings	69,964	4,203	(5,354)	**68,813**
Available-for-sale reserves	391	(391)	–	**–**
FVOCI reserves	–	(2,803)	–	**(2,803)**

Impairment

The Group and the Company have the following types of financial assets subject to MFRS 9 expected credit loss model:

(i) Trade receivables
(ii) Amounts due from a joint venture, an associate and subsidiaries
(iii) Other receivables

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

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

Impairment (cont'd)

The Group and the Company were required to revise its impairment methodology under MFRS 9 for each of these classes of assets.

(i) Trade receivables

Trade receivables are considered to be low risk. The loss allowance is determined at an amount equal to 12-month ECL.

(ii) Amount due from a joint venture, an associate and subsidiaries

Amount due from a joint venture, an associate and subsidiaries are considered as assets with no significant increase in credit risk at transition and hence the loss allowance is determined at an amount equal to 12-month ECL.

(iii) Other receivables

Other receivables are considered as assets with no significant increase in credit risk at transition and hence the loss allowance is determined at an amount equal to 12-month ECL.

The reconciliation for loss allowance are as follows:

	Trade receivables	Amount due from a joint venture, an associate and subsidiaries	Other receivables	Total
	RM'000	RM'000	RM'000	RM'000
Group and Company				
Closing loss allowance at 31 December 2015 (based on MFRS 139)	684	1,699	4,200	6,583
Amount restated through opening retained earnings	–	2,814	2,540	5,354
Opening loss allowance at 1 January 2016 (based on MFRS 9)	**684**	**4,513**	**6,740**	**11,937**

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2017
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

The Group and the Company are currently assessing the impact of Amendments to MFRS 107.

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

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

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

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (cont'd)

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact.

The Group and the Company are currently assessing the impact of Amendments to MFRS 112.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model 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 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements.

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

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group and the Company are currently assessing the impact of MFRS 16.

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

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. 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.

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

2.4 Basis of consolidation (cont'd)

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 profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

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.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

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.

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

2.6 Investments in associates and joint ventures (cont'd)

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 9 *Financial Instruments* 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. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

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 are 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.

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

2.7 Intangible assets (cont'd)

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.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

(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.

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. Changes in the estimated economically recoverable ore reserves and resources are accounted for on a prospective basis from the beginning of the year in which the changes arises.

(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.

2.8 Mine exploration, evaluation expenditures and mine properties

(a) Deferred mine exploration and evaluation expenditures

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised based on the unit-of-production method.

Mine exploration and evaluation expenditures incurred for a new area of interest are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable ore reserves and resources. These costs also include directly attributable employee remuneration, materials used and overhead costs.

Once an economically mineable resource for an area of interest is established and development is sanctioned, such exploration and evaluation expenditure is transferred to mine properties. No amortisation is charged during the exploration and evaluation phase.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

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

2.8 Mine exploration, evaluation expenditures and mine properties (cont'd)

(b) Mine properties

Mine properties are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

All expenditures incurred in connection with development activities in respect of each mine property, which includes all activities conducted in the preparation of economically recoverable ore reserves and resources until commercial production are accumulated in respect of each mine property. Exploration and evaluation expenditure is also transferred to mine properties once the work completed to date for the area supports the future development of the property and such development received appropriate approvals. 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 mine property 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.

Expenditure for a mine property which is considered to provide minimal benefit to future periods is recognised as an expense in profit or loss.

When production for a mine property commences, the accumulated cost for the mine property 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. Changes in the estimated economically recoverable ore reserves and resources are accounted for on a prospective basis from the beginning of the year in which the changes arises.

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

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

2.9 Mine restoration expenditure

Restoration 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 mine restoration expenditure to be incurred subsequent to the cessation of production of each mine property is provided based on the present value of the estimated expenditure to be incurred.

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

2.10 Property, plant and equipment and depreciation

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity 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 the estimated economically recoverable 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.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

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 prepaid land lease payments are amortised over their lease terms.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

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 profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

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

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

Intangible assets

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

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

2.13 Financial assets

The Group and the Company applied the classification and measurement requirements for financial assets under MFRS 9 *Financial Instruments* effective from 1 January 2016. The 2015 financial year comparative was not restated, and the classification and measurement requirements under MFRS 139 *Financial Instruments: Recognition and Measurement* were still applied. The key changes are in the classification and impairment requirements. The changes in the classification and measurement requirements and its impact are disclosed in Note 2.2.

Initial recognition and measurement in the financial year ended 31 December 2016

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group and the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement in the financial year ended 31 December 2016

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

- Amortised cost

  Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

- Fair value through other comprehensive income ("FVOCI")

  Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

- Fair value through profit or loss

  Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

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

2.13 Financial assets (cont'd)

Equity instruments

The Group and the Company subsequently measure all equity instruments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's and the Company's right to receive payments are established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss.

Changes in fair value of financial assets at FVOCI are recognised in OCI.

Derecognition in the financial year ended 31 December 2016

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

Initial recognition and measurement prior to 1 January 2016

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 prior to 1 January 2016

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. From 1 January 2016, under MFRS 9, debt instruments with contractual terms that do not represent solely payments of principal and interest are measured 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 or 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.

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

2.13 Financial assets (cont'd)

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 through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statements of profit or loss. 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.

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.

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

2.13 Financial assets (cont'd)

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

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 prior to 1 January 2016

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.

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. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets

The Group and the Company applied the impairment requirements for financial assets under MFRS 9 *Financial Instruments* for the financial year ended 31 December 2016. The 2015 financial year comparative was not restated, and the impairment requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* were still applied. The changes in the impairment requirements are explained in Note 2.2.

Impairment based on ECL model in the financial year ended 31 December 2016

The Group and the Company assess at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occuring over the expected life with the risk of default since initial recognition. In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit rating and other supportive information to assess deterioration in credit quality of a financial asset where practical. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group and the Company measure the impairment loss based on the two-step approach to measure the ECL on financial assets:

- 12-months ECL

  For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occuring within the next 12 months considering the loss given default of that financial asset.

- Lifetime ECL

  For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-months ECL.

Impairment based on incurred loss model prior to 1 January 2016

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.

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

2.14 Impairment of financial assets (cont'd)

Impairment based on incurred loss model prior to 1 January 2016 (cont'd)

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.

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. Summary of significant accounting policies (cont'd)

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.

Cost of other inventories comprising stores, spares, fuels, coal and saleable by-products is determined using the weighted average cost method. Production cost is not allocated to by-products as it is not material.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Cash and cash equivalents

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

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

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

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 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:

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 do not meet the hedge accounting criteria. 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.

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.

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

2.19 Financial liabilities (cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under MFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition

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

2.20 Offsetting of financial instruments

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

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

2.21 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 37(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.

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

2.21 Fair value measurement (cont'd)

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.

External valuers may be involved for valuation of significant assets, such as properties. 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.

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

The Group and the Company have elected to early adopt MFRS 9 *Financial Instruments,* which is mandatory for the financial periods beginning on or after 1 January 2018. The Group and the Company have chosen to continue to apply the hedge accounting requirements in MFRS 139 as its policy choice in initial adoption of MFRS 9.

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.

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

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

Initial recognition and subsequent measurement (cont'd)

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.

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

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

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

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

Cash flow hedges

The 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 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.

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 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 Base inventory

Base inventory is the base recirculating inventory in the smelting process.

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

2.25 Revenue and other income 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 specific recognition criteria described below must also be met before revenue is recognised.

(a) Sale of goods

Revenue is recognised net of goods and services tax 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.

2.26 Borrowing costs

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

2.27 Income tax

(a) Current tax

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

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

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

2.27 Income tax (cont'd)

(b) Deferred tax

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and 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:

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

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

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

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

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

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

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

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

2.28 Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

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").

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

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

2.31 Share capital and share issuance expenses

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

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

2.32 Contingencies

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

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

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

Impairment of investment securities

The Group and the Company applied the classification, measurement and impairment requirements for financial assets under MFRS 9 *Financial Instruments* for the financial year ended 31 December 2016. The 2015 financial year comparative was not restated, and the classification, measurement and impairment requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* were still applied. The changes in the classification, measurement and impairment requirements are explained in Note 2.2.

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

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

Prior to 1 January 2016

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 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 financial year ended 31 December 2015, 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.

The amount of impairment losses recognised in profit or loss of the Group and the Company for available-for-sale investments 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 expenditures and mine properties

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 expenditures and mine properties. The estimate of the quantity of economically recoverable ore reserves and resources is also used for the amortisation of mining rights and mine properties. 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 expenditures and mine properties is disclosed in Note 21.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment loss on investment in subsidiaries, 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 mine restoration plan was submitted by a subsidiary to the relevant authorities during the year ended 31 December 2013. The carrying amount of provision for mine restoration costs amounting to RM26.7 million (2015: RM18.0 million) disclosed in Note 27 is based on modifications proposed by the consultant appointed during the year ended 31 December 2015. As the mine restoration plan is still pending approval from the relevant authorities, the final amount cannot be determined at this juncture. Where expectations from the relevant authorities differ from the 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. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where actual amount 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 22.

(f) Income taxes, deferred tax liabilities and tax recoverable

The Group and the 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 32 respectively.

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 mine 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, deferred exploration and evaluation expenditures, mine properties, property, plant and equipment, goodwill, provision for mine restoration costs, recognition of deferred tax assets, deferred tax liabilities and tax recoverable, depreciation and amortisation charges.

(h) Impairment of loans and receivables

The Group and the Company applied the impairment requirements for financial assets under MFRS 9 *Financial Instruments* for the financial year ended 31 December 2016. The 2015 financial year comparative was not restated, and the impairment requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* were still applied. The changes in the impairment requirements are explained in Note 2.2.

Impairment based on ECL model in the financial year ended 31 December 2016

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 36(d).

Impairment based on incurred loss model prior to 1 January 2016

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.

As at 31 December 2015, the carrying value of the shareholders' loan given to the joint venture was recorded at RM5.6 million, as disclosed in Note 24. The assessment of the recoverable value of the shareholders' loan was based on the net assets of the joint venture as at 31 December 2015 as the timing of the repayment of the shareholders' loan by the joint venture cannot be determined reliably due to the uncertainty of the commencement date of the joint venture's operations.

4. Profit/(Loss) before tax

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging/(crediting):				
Auditors' remuneration:				
- statutory audits	**550**	479	**420**	390
- under/(over) provision in prior years	**7**	–	**(10)**	–
Amortisation of prepaid land lease payments (Note 16)	**33**	33	**–**	–
Amortisation of mining rights (Note 17)	**886**	890	**–**	–
Amortisation of corporate club memberships (Note 17)	**49**	48	**3**	3
Amortisation of mine properties (Note 21)	**1,007**	1,011	**–**	–
Depreciation of property, plant and equipment (Note 15)	**9,184**	7,392	**3,927**	3,479
Directors' fees (Note 35(b))	**731**	834	**655**	730
Hire of equipment and vehicles	**247**	259	**247**	259
Professional indemnity insurance	**77**	77	**77**	77
Rental of land and buildings	**389**	348	**1,964**	1,958
(Reversal of inventories written down)/Inventories written down to net realisable value	**(17,400)**	14,200	**(17,400)**	14,200

Due to unfavourable tin prices, the Group and the Company wrote down its tin-bearing inventories to their net realisable value, which resulted in a loss of RM14,200,000 in 2015 (2014: RM3,200,000). In 2016, following the improvement of tin prices, RM17,400,000 of the write-down was reversed.

5. Dividend income

	Company	
	2016	**2015**
	RM'000	**RM'000**
Dividend income from:		
Investment in subsidiaries		
- Unquoted in Malaysia	**–**	3,267
Investment in associates and joint ventures		
- Unquoted in Malaysia	**9**	9
	9	3,276

6. Interest income

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Subsidiaries	**–**	–	**593**	480
- Associates and joint ventures	**169**	133	**169**	133
- Deposits placed with licensed banks	**1,779**	2,629	**1,286**	1,404
- Tin sales	**1,545**	1,951	**1,545**	1,951
	3,493	4,713	**3,593**	3,968

7. Other income/(loss)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other operating income	**4,294**	2,475	**2,846**	3,637
Gain on disposal of property, plant and equipment	**59**	12	**57**	12
Net foreign exchange loss	**(7,975)**	(54,555)	**(7,685)**	(54,559)
Fair value changes in financial assets:				
- Forward currency contracts	**(847)**	–	**–**	–
- Interest rate swap	**2**	55	**2**	55
- Ineffective portion of derivatives designated as hedging instruments in cash flow hedge	**289**	(654)	**289**	(654)
Reversal of revaluation deficit on property	**61**	21	**–**	–
Gain on partial disposal of a joint venture	**11,541**	–	**13,476**	–
	7,424	(52,646)	**8,985**	(51,509)

8. Employee benefits expense

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	**44,737**	42,730	**29,150**	27,505
Social security contribution	**410**	374	**217**	188
Contribution to defined contribution plan	**4,914**	4,547	**3,534**	3,209
Termination benefits	**1,600**	–	**1,600**	–
Other benefits	**2,454**	2,131	**2,100**	1,844
	54,115	49,782	**36,601**	32,746

9. Finance costs

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest expenses on bank borrowings	**11,914**	13,595	**11,671**	13,595
Interest expense on amount due to a subsidiary	**–**	–	**1,348**	–
Commitment fees	**16**	13	**16**	13
Unwinding of discount on provision (Note 27)	**720**	362	**–**	–
	12,650	13,970	**13,035**	13,608

10. Other expenses

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Administrative expenses	**7,778**	5,356	**3,755**	4,217
Marketing and distribution expenses	**1,182**	1,604	**1,182**	1,604
Property, plant and equipment written off	**1**	–	**–**	–
Write off of other prepayments	**635**	–	**–**	–
	9,596	6,960	**4,937**	5,821

11. Impairment losses

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Impairment of investment securities	**–**	329	**–**	329
Impairment of receivables	**5,568**	5,824	**5,568**	5,824
Impairment of advances to supplier (Note 25)	**31,202**	–	**31,202**	–
Impairment/(Reversal of impairment) of investment in associates and joint ventures	**766**	580	**(8,291)**	1,274
	37,536	6,733	**28,479**	7,427

12. Income tax expense

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statements of profit or loss				
Malaysian income tax:				
Current income tax	**19,597**	6,347	**7,348**	940
Under/(Over) provision in prior years	**343**	(1,241)	**342**	(1,247)
	19,940	5,106	**7,690**	(307)
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	**595**	(339)	**2,836**	(53)
(Over)/Under provision in prior year	**(5,360)**	3,271	**(5,358)**	3,277
	(4,765)	2,932	**(2,522)**	3,224
Income tax expense recognised in profit or loss	**15,175**	8,038	**5,168**	2,917
Statements of comprehensive income				
Deferred tax related to other comprehensive income (Note 32):				
Net surplus on revaluation of buildings	**231**	640	**75**	348
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	**2,519**	–	**2,519**	–
Net fair value loss on available-for-sale investment securities	**–**	(590)	**–**	(590)
Net fair value changes on cash flow hedges	**1,702**	(798)	**1,702**	(798)
	4,452	(748)	**4,296**	(1,040)

Domestic current income tax is calculated at the statutory tax rate of 24% of the estimated assessable profit for the year. The corporate tax rate will be reduced to a range of 20% to 24% from the current year's tax rate of 24% effective year of assessment 2017 and 2018. The reduction in the income tax rate is based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment. The effect of the change in future tax rate to deferred tax of the Group and the Company is not material.

12. Income tax expense (cont'd)

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:

	2016	2015
Indonesia	**25%**	25%
Singapore	**17%**	17%

Reconciliation between tax expense and accounting profit/(loss)

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	**49,507**	3,238	**31,033**	(11,668)
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	**11,882**	810	**7,448**	(2,917)
Effect of reduction in tax rate	**–**	24	**–**	1
Different tax rates in other countries	**3**	4	**–**	–
Income not subject to tax	**(2,784)**	(68)	**(3,248)**	(887)
Expenses not deductible for tax purpose	**11,091**	5,238	**5,984**	4,690
Under/(Over) provision of tax expense in prior years	**343**	(1,241)	**342**	(1,247)
(Over)/Under provision of deferred tax in prior year	**(5,360)**	3,271	**(5,358)**	3,277
Income tax expense recognised in profit or loss	**15,175**	8,038	**5,168**	2,917

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	
	2016	**2015**
Profit/(Loss) net of tax attributable to owners of the Company (RM'000)	**34,334**	(4,795)
Weighted average number of ordinary shares in issue ('000)	**100,000**	100,000
Basic and diluted earnings/(loss) per share (sen)	**34.3**	(4.8)

14. Dividends

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a final single-tier dividend of RM0.08 per share (2015: RM Nil) amounting to RM8,000,000 (2015: RM Nil) for the financial year ended 31 December 2016.

The financial statements for the financial year ended 31 December 2016 do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

15. Property, plant and equipment

Group	Freehold land RM'000	Leasehold 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 2016							
- At cost	–	–	–	93,693	16,624	890	111,207
- At valuation	27,377	–	21,590	–	–	–	48,967
	27,377	–	21,590	93,693	16,624	890	160,174
Additions	–	24,670	7,830	18,909	8,008	2,342	61,759
Disposals/Written off	–	–	–	(967)	–	–	(967)
Transfer in/(out)	–	–	–	1,650	–	(1,650)	–
Revaluation adjustments	2,718	–	(379)	–	–	–	2,339
At 31 December 2016	30,095	24,670	29,041	113,285	24,632	1,582	223,305
Representing:							
- At cost	–	–	–	113,285	24,632	1,582	139,499
- At valuation	30,095	24,670	29,041	–	–	–	83,806
At 31 December 2016	30,095	24,670	29,041	113,285	24,632	1,582	223,305
Accumulated depreciation							
At 1 January 2016	–	–	–	58,199	3,082	–	61,281
Depreciation charge for the year (Note 4)	–	51	834	6,188	2,111	–	9,184
Disposals/Written off	–	–	–	(941)	–	–	(941)
Elimination of accumulated depreciation on revaluation	–	–	(834)	–	–	–	(834)
At 31 December 2016	–	51	–	63,446	5,193	–	68,690
Net carrying amount							
- At cost	–	–	–	49,839	19,439	1,582	70,860
- At valuation	30,095	24,619	29,041	–	–	–	83,755
At 31 December 2016	30,095	24,619	29,041	49,839	19,439	1,582	154,615

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

Group	Freehold land RM'000	Buildings RM'000	Plant, equipment, vehicles and furniture RM'000	Mine restoration RM'000	Capital work-in-progress RM'000	Total RM'000
Cost or Valuation						
At 1 January 2015						
- At cost	–	–	85,255	9,336	4,143	98,734
- At valuation	24,660	20,144	–	–	–	44,804
	24,660	20,144	85,255	9,336	4,143	143,538
Additions	–	9	493	7,288	5,190	12,980
Disposals/Written off	–	–	(522)	–	–	(522)
Transfer in/(out)	–	–	8,443	–	(8,443)	–
Revaluation adjustments	2,717	1,437	–	–	–	4,154
Exchange differences	–	–	24	–	–	24
At 31 December 2015	27,377	21,590	93,693	16,624	890	160,174
Representing:						
- At cost	–	–	93,693	16,624	890	111,207
- At valuation	27,377	21,590	–	–	–	48,967
At 31 December 2015	27,377	21,590	93,693	16,624	890	160,174
Accumulated depreciation						
At 1 January 2015	–	–	52,966	2,107	–	55,073
Depreciation charge for the year (Note 4)	–	686	5,731	975	–	7,392
Disposals/Written off	–	–	(522)	–	–	(522)
Elimination of accumulated depreciation on revaluation	–	(686)	–	–	–	(686)
Exchange differences	–	–	24	–	–	24
At 31 December 2015	–	–	58,199	3,082	–	61,281
Net carrying amount						
- At cost	–	–	35,494	13,542	890	49,926
- At valuation	27,377	21,590	–	–	–	48,967
At 31 December 2015	27,377	21,590	35,494	13,542	890	98,893

Included in the Group's additions to property, plant and equipment is an amount of RM8,008,000 (2015: RM7,288,000) relating to provision for mine restoration costs as disclosed in Note 27.

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 2016				
- At cost	–	62,490	886	63,376
- At valuation	11,150	–	–	11,150
	11,150	62,490	886	74,526
Additions	–	–	2,342	2,342
Disposals/Written off	–	(505)	–	(505)
Transfer in/(out)	–	1,646	(1,646)	–
At 31 December 2016	11,150	63,631	1,582	76,363
Representing:				
- At cost	–	63,631	1,582	65,213
- At valuation	11,150	–	–	11,150
At 31 December 2016	11,150	63,631	1,582	76,363
Accumulated depreciation				
At 1 January 2016	–	40,694	–	40,694
Depreciation charge for the year (Note 4)	310	3,617	–	3,927
Disposals/Written off	–	(480)	–	(480)
Elimination of accumulated depreciation on revaluation	(310)	–	–	(310)
At 31 December 2016	–	43,831	–	43,831
Net carrying amount				
- At cost	–	19,800	1,582	21,382
- At valuation	11,150	–	–	11,150
At 31 December 2016	11,150	19,800	1,582	32,532

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 2015				
- At cost	–	54,194	4,139	58,333
- At valuation	9,976	–	–	9,976
	9,976	54,194	4,139	68,309
Additions	–	–	5,190	5,190
Disposals/Written off	–	(147)	–	(147)
Transfer in/(out)	–	8,443	(8,443)	–
Revaluation adjustments	1,174	–	–	1,174
At 31 December 2015	11,150	62,490	886	74,526
Representing:				
- At cost	–	62,490	886	63,376
- At valuation	11,150	–	–	11,150
At 31 December 2015	11,150	62,490	886	74,526
Accumulated depreciation				
At 1 January 2015	–	37,638	–	37,638
Depreciation charge for the year (Note 4)	276	3,203	–	3,479
Disposals/Written off	–	(147)	–	(147)
Elimination of accumulated depreciation on revaluation	(276)	–	–	(276)
At 31 December 2015	–	40,694	–	40,694
Net carrying amount				
- At cost	–	21,796	886	22,682
- At valuation	11,150	–	–	11,150
At 31 December 2015	11,150	21,796	886	33,832

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

Group

Land and buildings owned by the Group were revalued in 2016 based on valuations carried out by independent firms of professional valuers as follows:

	Date of valuation	Description of property	Valuation amount RM'000
(i)	31 Dec 2016	Land and tin smelting industrial complex in Butterworth	37,777
(ii)	31 Dec 2016	Land and buildings in Pulau Indah Industrial Park	32,396
(iii)	31 Dec 2016	Office lots in Kuala Lumpur	6,750
(iv)	31 Dec 2016	80 units flats in Bukit Mertajam	4,400
(v)	31 Dec 2016	Land and buildings in Daerah Hulu Perak	2,432
			83,755

Further details on the valuation are disclosed in Note 37(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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Freehold land	**9,339**	9,339	**–**	–
Leasehold land	**24,619**	–	**–**	–
Buildings	**16,115**	8,844	**5,279**	5,481

16. Prepaid land lease payments

	2016 RM'000	2015 RM'000
Group		
Leasehold land		
At 1 January	**806**	839
Amortisation for the year	**(33)**	(33)
At 31 December	**773**	806
Analysed as:		
Long term leasehold land	**503**	510
Short term leasehold land	**270**	296
	773	806
Amount to be amortised:		
- Not later than one year	**33**	33
- Later than one year but not later than five years	**131**	131
- Later than five years	**609**	642
	773	806

The long term leasehold land has unexpired lease periods of between 52 and 96 years (2015: 53 and 97 years). The short term leasehold land has unexpired lease periods of between 6 and 12 years (2015: 7 and 13 years).

17. Intangible assets

Group	Mining rights RM'000	Corporate club memberships RM'000	Total RM'000
Cost			
At 1 January 2015/31 December 2015/31 December 2016	**21,817**	**1,078**	**22,895**
Accumulated amortisation			
At 1 January 2016	**14,625**	**340**	**14,965**
Amortisation for the year (Note 4)	**886**	**49**	**935**
At 31 December 2016	**15,511**	**389**	**15,900**
At 1 January 2015	13,735	292	14,027
Amortisation for the year (Note 4)	890	48	938
At 31 December 2015	14,625	340	14,965
Net carrying amount			
At 31 December 2016	**6,306**	**689**	**6,995**
At 31 December 2015	7,192	738	7,930

Company	Corporate club membership RM'000
Cost	
At 1 January 2015/31 December 2015/31 December 2016	**215**
Accumulated amortisation	
At 1 January 2016	**5**
Amortisation for the year (Note 4)	**3**
At 31 December 2016	**8**
At 1 January 2015	2
Amortisation for the year (Note 4)	3
At 31 December 2015	5
Net carrying amount	
At 31 December 2016	**207**
At 31 December 2015	210

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 carried out by the management, there is no indication of impairment in the mining rights of RHT and SL Tin.

18. Investment in subsidiaries

Company	2016 RM'000	2015 RM'000
Unquoted shares, at cost	**148,681**	148,681

Details of the subsidiaries of the Group and the Company 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^	
			2016 %	2015 %	2016 %	2015 %
Held by the Company:						
Malaysia Smelting Corporation (Warehousing) Sdn. Bhd. ("MSCW")*	Malaysia	Tin warehousing	**100**	100	**–**	–
Rahman Hydraulic Tin Sdn. Bhd. ("RHT")*	Malaysia	Tin mining	**100**	100	**–**	–
MSC Properties Sdn. Bhd. ("MSCP")*	Malaysia	Property holding and rental	**100**	100	**–**	–
Straits Resource Management Private Limited ("SRM")**	Singapore	Investment holding	**100**	100	**–**	–
M Smelt (C) Sdn. Bhd. ("M Smelt")*	Malaysia	Smelting of non-ferrous metals~	**100**	–	**–**	–
Held through subsidiaries:						
Held by RHT						
SL Tin Sdn. Bhd. ("SL Tin")***	Malaysia	Tin mining	**80#**	80#	**20**	20
Held by SRM						
PT SRM Indonesia ("PT SRM")***	Indonesia	Dormant	**99#**	99#	**1**	1

^ equals to the proportion of voting rights held
* Audited by Ernst & Young, Malaysia
** Audited by member firm of Ernst & Young Global in the respective country
*** Audited by firms of auditors other than Ernst & Young
\# Indirect interest
~ M Smelt has not yet commenced its production during the financial year

18. Investment in subsidiaries (cont'd)

The non-controlling interests in respect of SL Tin and PT SRM are not material to the Group.

The name of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report are:

RHT

Ms. Chew Gek Khim	(Appointed on 7 October 2016)
Dato' Ng Jui Sia	(Appointed on 4 April 2016)
Mr. Peter Ho Kok Wai	(Appointed on 7 October 2016)
Mr. John Mathew a/l Mathai	(Appointed on 7 October 2016)
Mr. Yap Chee Keong	(Appointed on 7 October 2016)
Mr. Chia Chee Ming, Timothy	(Appointed on 4 November 2016)
Dato' Seri Mohd. Ajib Anuar	(Ceased on 7 October 2016)
Mr. Chua Cheong Yong	(Ceased on 7 October 2016)
Mr. Yap Fook Ping	(Ceased on 7 October 2016)

M Smelt

Dato' Dr. Ir. Patrick Yong Mian Thong	(First director, appointed on 10 June 2016)
Mr. Lee Hock Chye	(First director, appointed on 10 June 2016)

MSCP

Dato' Dr. Ir. Patrick Yong Mian Thong	(Appointed on 7 October 2016)
Mr. Au Soon Yong	(Appointed on 7 October 2016)
Mr. Chua Cheong Yong	(Ceased on 7 October 2016)
Mr. Yap Fook Ping	(Ceased on 7 October 2016)

MSCW

Dato' Dr. Ir. Patrick Yong Mian Thong	(Appointed on 7 October 2016)
Mr. Au Soon Yong	(Appointed on 7 October 2016)
Mr. Chua Cheong Yong	(Ceased on 7 October 2016)
Mr. Yap Fook Ping	(Ceased on 7 October 2016)

SRM

Dato' Dr. Ir. Patrick Yong Mian Thong	(Appointed on 7 October 2016)
Mr. Au Soon Yong	(Appointed on 7 October 2016)
Ms. Maggie Yeo Sock Koon	
Mr. Chua Cheong Yong	(Ceased on 7 October 2016)
Mr. Yap Fook Ping	(Ceased on 7 October 2016)

SL Tin

Dato' Dr. Ir. Patrick Yong Mian Thong	(Appointed on 7 October 2016)
Mr. Au Soon Yong	(Appointed on 7 October 2016)
Mr. Madzlan Bin Zam	(Appointed on 7 October 2016)
Dato' Abdul Aziz Bin Mohamed	
(Alternate: Dato' Hj Mohd Abdah Bin Mohd Alif)	
Mr. Chua Cheong Yong	(Ceased on 7 October 2016)
Mr. Yap Fook Ping	(Ceased on 7 October 2016)
Ir. Mohamed Yakub Ismail	(Ceased on 7 October 2016)

PT SRM
Mr. Najib Jaafar

Acquisition of a subsidiary

On 14 June 2016, the Company acquired 100% equity interest in M Smelt (C) Sdn. Bhd. by way of an acquisition of two ordinary shares of RM1.00 each for a total consideration of RM2.00.

The acquisition of M Smelt (C) Sdn. Bhd. had contributed the following results to the Group from the date of acquisition:

	Group 2016 RM'000
Revenue	–
Loss before tax	5,242

19. Investment in associates and joint ventures

	Group		Company	
	2016	2015	2016	2015
	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	**17,292**	14,432	**–**	–
	27,765	24,905	**10,473**	10,473
Outside Malaysia:				
Unquoted shares, at cost	**17,374**	17,374	**17,374**	17,374
Share of post-acquisition reserves	**(5,558)**	(5,558)	**–**	–
	11,816	11,816	**17,374**	17,374
Accumulated impairment losses	**(11,816)**	(11,816)	**(17,374)**	(17,374)
	–	–	**–**	–
	27,765	24,905	**10,473**	10,473
Investment in joint ventures				
In Malaysia:				
Unquoted shares, at cost	**8,193**	44,421	**8,193**	44,421
Share of post-acquisition reserves	**7,524**	20,523	**–**	–
	15,717	64,944	**8,193**	44,421
Accumulated impairment losses	**(6,146)**	(5,380)	**–**	(8,291)
	9,571	59,564	**8,193**	36,130
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
Accumulated impairment losses	**–**	–	**(1,274)**	(1,274)
	–	–	**–**	–
	9,571	59,564	**8,193**	36,130
Total investment in associates and joint ventures	**37,336**	84,469	**18,666**	46,603

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	
	2016	**2015**
	RM'000	**RM'000**
Share of (losses)/profit:		
Current year	**(1,121)**	40
Cumulative	**(1,538)**	(417)

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***		**Accounting model applied**
			2016	**2015**	
			%	%	
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.

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 of Redring as follows:

	2016	**2015**
	RM'000	**RM'000**
Non-current assets	**22,286**	22,014
Current assets	**50,867**	46,738
Total assets	**73,153**	68,752
Non-current liabilities	**–**	211
Current liabilities	**3,740**	6,279
Total liabilities	**3,740**	6,490
Net assets	**69,413**	62,262

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

(i) Investment in associates (cont'd)

Summarised statement of profit or loss and other comprehensive income of Redring as follows:

	2016 RM'000	2015 RM'000
Revenue	**66,704**	67,775
Profit before tax	**7,081**	5,705
Profit for the year	**5,295**	4,853
Other comprehensive income	**1,877**	–
Total comprehensive income	**7,172**	4,853

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

	2016 RM'000	2015 RM'000
Net assets at 31 December	**69,413**	62,262
Interest in associate	**40%**	40%
Carrying value of Group's interest in associate	**27,765**	24,905

Aggregate information of associate that is not individually material

	Group 2016 RM'000	Group 2015 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	**–**	–

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

(ii) Investment in joint ventures

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

Name of joint ventures	**Country of incorporation**	**Proportion of ownership interest***		**Nature of relationship**	**Accounting model applied**
		2016	**2015**		
		%	%		
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, KMR completed a share buy-back exercise whereby 36,945,030 shares of USD1.00 each in KMR were purchased from its shareholders for USD36,945,030 and held as treasury shares. This is accounted for as partial disposal of the Company's investment in KMR and gain on disposal of RM11,541,000 and RM13,476,000 was recognised for the Group and the Company respectively. The share buy-back exercise did not result in any change in the Company's equity interests in KMR.

An impairment loss of RM766,000 (2015: RM580,000) was recognised in profit or loss of the Group in respect of the Group's investment in KMR due to shortfall of recoverable amount over carrying amount of investment. The recoverable amount was derived based on management's estimate of fair value less costs to sell.

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

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 of KMR Group as follows:

	2016 RM'000	2015 RM'000
Non-current assets	**20,987**	27,045
Cash and cash equivalents	**33,725**	35,362
Other current assets	**1,028**	160,056
Total current assets	**34,753**	195,418
Total assets	**55,740**	222,463
Trade and other payables and provisions, representing total current liabilities	**2,083**	3,475
Trade and other payables and provisions	**850**	2,413
Non-current liabilities (excluding trade and other payables and provisions)	**416**	95
Total non-current liabilities	**1,266**	2,508
Total liabilities	**3,349**	5,983
Net assets	**52,391**	216,480

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

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

Summarised statement of profit or loss and other comprehensive income of KMR Group as follows:

	2016 RM'000	2015 RM'000
Revenue	**9**	31
Depreciation and amortisation	**–**	(13)
Interest income	**166**	138
Loss before tax	**(7,357)**	(861)
Loss after tax	**(7,357)**	(861)
Loss after tax - attributable to owners of the Company	**(7,357)**	(861)
Other comprehensive income	**(35,972)**	40,191
Total comprehensive income	**(43,329)**	39,330

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

	2016 RM'000	2015 RM'000
Net assets at 31 December	**52,391**	216,480
Interest in joint venture	**30%**	30%
	15,717	64,944
Accumulated impairment losses	**(6,146)**	(5,380)
Carrying value of Group's interest in joint venture	**9,571**	59,564

Aggregate information of joint venture that is not individually material

	Group	
	2016 RM'000	2015 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	**–**	–

20. Investment securities

	2016 RM'000	2015 RM'000
Group and Company		
Equity securities		
Quoted investments	**23,423**	12,930
Unquoted investment	**34,320**	34,320
Accumulated impairment losses	**(34,320)**	(34,320)
	–	–
	23,423	12,930

Prior to 1 January 2016, the quoted investments and unquoted investment were classified as AFS financial assets under the requirements of MFRS 139 *Financial Instruments: Recognition and Measurements.* Effective on 1 January 2016, upon early adoption of MFRS 9 *Financial Instruments* by the Group and the Company, the quoted investments and unquoted investment were clssified as financial assets at fair value through other comprehensive income ("FVOCI"). In accordance with the transitional provision under paragraph 7.2.15 of MFRS 9 *Financial Instruments*, comparatives are not restated.

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	2016 RM'000
Group and Company	
At fair value through other comprehensive income	
- Equity securities (quoted)	
- Asian Mineral Resources Limited ("AMR")	**2,084**
- Alphamin Resources Corp. ("Alphamin")	**21,339**
	23,423

The Group and the Company have elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

(a) Quoted investments

These comprise the investment in AMR and Alphamin, both incorporated in Canada and listed on Toronto Venture Exchange.

On 2 September 2015, the Company subscribed, via a private placement, for 12,350,000 equity units ("Units") in Alphamin for a total purchase consideration of approximately RM7.93 million. Each Unit (sold at a price of CAD0.20 per Unit) consists of one common share and one-third of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one additional common share of Alphamin at a price of CAD0.25 until 2 September 2016. The common shares sold including any shares issued on exercise of the Warrants, are subject to a four-month hold period in Canada which expired on 3 January 2016. The Company's shareholding interest in Alphamin has increased from 1.9% to 5.0% upon completion of the private placement.

During the financial year ended 31 December 2015, the Group and the Company recognised an impairment loss of RM329,000 in profit or loss as a result of a significant decline in the fair value of the investment in AMR.

20. Investment securities (cont'd)

(b) Unquoted investment

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.

In the previous financial years, the Group and the Company recognised full impairment losses in the carrying value of the investment in profit or loss as the operations had been suspended and there is no indication that it would resume.

21. Other non-current assets

	Deferred mine exploration and evaluation expenditures RM'000	Mine properties RM'000	Total RM'000
Group			
At 1 January 2016	**5,878**	**6,497**	**12,375**
Additions	**3,315**	**342**	**3,657**
Amortisation to profit or loss (Note 4)	**–**	**(1,007)**	**(1,007)**
At 31 December 2016	**9,193**	**5,832**	**15,025**
At 1 January 2015	3,967	7,491	11,458
Additions	1,918	17	1,935
Amortisation to profit or loss (Note 4)	–	(1,011)	(1,011)
Expensed off to profit or loss	(7)	–	(7)
At 31 December 2015	5,878	6,497	12,375

Deferred mine exploration and evaluation expenditures and mine properties represent expenditures incurred on several areas of interest. The costs are only carried forward to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable ore reserves and resources.

22. Inventories

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At cost:				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	**353,920**	250,188	**359,908**	239,920
Other inventories (stores, spares, fuels, coal and saleable by-products)	**20,329**	18,927	**16,947**	14,889
	374,249	269,115	**376,855**	254,809

23. Trade receivables

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Third parties	**30,415**	39,801	**30,411**	39,799
Associate	**1,018**	4,280	**1,018**	4,280
	31,433	44,081	**31,429**	44,079
Allowance for impairment				
- Third parties	**(700)**	(684)	**(700)**	(684)
Trade receivable, net	**30,733**	43,397	**30,729**	43,395
Add: **Other receivables (current and non-current) excluding deposits and GST input tax** (Note 24)	**1,063**	12,536	**23,404**	28,147
Add: **Cash and bank balances** (Note 26)	**80,391**	133,874	**70,871**	99,778
Total financial assets carried at amortised cost	**112,187**	189,807	**125,004**	171,320

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 36(d).

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.

23. Trade receivables (cont'd)

Further details on related party transactions are disclosed in Note 35.

Other information on financial risks of trade receivables are disclosed in Note 36.

The age analysis of trade receivables is as follows:

	Gross RM'000	Allowance for impairment RM'000	Net RM'000
Group			
At 31 December 2016			
Not past due	**30,722**	**–**	**30,722**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**5**	**–**	**5**
61 to 90 days	**–**	**–**	**–**
91 to 120 days	**–**	**–**	**–**
More than 120 days	**706**	**700**	**6**
	711	**700**	**11**
Total	**31,433**	**700**	**30,733**
At 31 December 2015			
Not past due	38,241	–	38,241
Past due:			
Less than 30 days	–	–	–
30 to 60 days	1,614	–	1,614
61 to 90 days	3,462	–	3,462
91 to 120 days	19	–	19
More than 120 days	745	684	61
	5,840	684	5,156
Total	44,081	684	43,397

23. Trade receivables (cont'd)

	Gross	Allowance for impairment	Net
	RM'000	RM'000	RM'000
Company			
At 31 December 2016			
Not past due	**30,718**	**–**	**30,718**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**5**	**–**	**5**
61 to 90 days	**–**	**–**	**–**
91 to 120 days	**–**	**–**	**–**
More than 120 days	**706**	**700**	**6**
	711	**700**	**11**
Total	**31,429**	**700**	**30,729**
At 31 December 2015			
Not past due	38,239	–	38,239
Past due:			
Less than 30 days	–	–	–
30 to 60 days	1,614	–	1,614
61 to 90 days	3,462	–	3,462
91 to 120 days	19	–	19
More than 120 days	745	684	61
	5,840	684	5,156
Total	44,079	684	43,395

Receivables that are neither past due nor impaired

Trade 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 RM Nil (2015: RM13,267,000) 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 receivables amounting to RM11,000 (2015: RM5,156,000) 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.

23. Trade receivables (cont'd)

Receivables that are impaired

The Group's and the Company's trade 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	
	2016	**2015**
	RM'000	**RM'000**
Trade receivables-nominal amounts	**700**	684
Less: Allowance for impairment	**(700)**	(684)
	–	–

Movement in the allowance accounts:

	Group/Company	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	**684**	12,629
Impairment for the year	**16**	684
Amounts written off	**–**	(12,629)
At 31 December	**700**	684

24. Other receivables

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current					
Joint venture	(i)	**7,661**	7,336	**7,661**	7,336
Allowance for impairment					
- Joint venture		**(7,661)**	(1,699)	**(7,661)**	(1,699)
		–	5,637	**–**	5,637
Current					
Third parties		**11,802**	11,040	**11,760**	10,994
Subsidiaries	(ii)	**–**	–	**22,383**	15,657
Joint venture		**59**	59	**59**	59
		11,861	11,099	**34,202**	26,710
Allowance for impairment					
- Third parties		**(10,798)**	(4,200)	**(10,798)**	(4,200)
		1,063	6,899	**23,404**	22,510
Deposits		**362**	541	**680**	844
GST input tax		**11,544**	5,079	**8,512**	4,595
		12,969	12,519	**32,596**	27,949
Total other receivables **(current and non-current)** excluding **deposits and GST input tax**		**1,063**	12,536	**23,404**	28,147

(i) Amount due from a joint venture

The amount is due from Africa Smelting Corporation Sprl. Based on the impairment assessment carried out by the management, the amount due from a joint venture had been fully impaired as at 31 December 2016.

(ii) Amounts due from subsidiaries

These are unsecured and repayable on demand and include advances amounting to RM22,383,000 (2015: RM15,617,000) where interest rates ranging from 3.0% to 4.0% (2015: 3.0%) per annum is charged.

24. Other receivables (cont'd)

Further details on related party transactions are disclosed in Note 35.

Other information on financial risks of other receivables are disclosed in Note 36.

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

	Gross	Allowance for impairment	Net
	RM'000	RM'000	RM'000
Group			
At 31 December 2016			
Not past due	**8,724**	**7,661**	**1,063**
Past due:			
Less than 30 days	–	–	–
30 to 60 days	–	–	–
61 to 90 days	–	–	–
91 to 120 days	–	–	–
More than 120 days	**10,798**	**10,798**	–
	10,798	**10,798**	–
Total	**19,522**	**18,459**	**1,063**
At 31 December 2015			
Not past due	12,437	1,699	10,738
Past due:			
Less than 30 days	–	–	–
30 to 60 days	75	–	75
61 to 90 days	135	–	135
91 to 120 days	–	–	–
More than 120 days	5,788	4,200	1,588
	5,998	4,200	1,798
Total	18,435	5,899	12,536

24. Other receivables (cont'd)

	Gross	Allowance for impairment	Net
	RM'000	**RM'000**	**RM'000**
Company			
At 31 December 2016			
Not past due	**31,065**	**7,661**	**23,404**
Past due:			
Less than 30 days	**–**	**–**	**–**
30 to 60 days	**–**	**–**	**–**
61 to 90 days	**–**	**–**	**–**
91 to 120 days	**–**	**–**	**–**
More than 120 days	**10,798**	**10,798**	**–**
	10,798	**10,798**	**–**
Total	**41,863**	**18,459**	**23,404**
At 31 December 2015			
Not past due	28,048	1,699	26,349
Past due:			
Less than 30 days	–	–	–
30 to 60 days	75	–	75
61 to 90 days	135	–	135
91 to 120 days	–	–	–
More than 120 days	5,788	4,200	1,588
	5,998	4,200	1,798
Total	34,046	5,899	28,147

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

Both the Group and the Company have other receivables amounting to RM Nil (2015: RM1,798,000) that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are mostly due from creditworthy customers.

24. Other receivables (cont'd)

Receivables that are impaired

The Group's and the Company's 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	
	2016	**2015**
	RM'000	**RM'000**
Other receivables-nominal amounts	**18,459**	11,536
Less: Allowance for impairment	**(18,459)**	(5,899)
	–	5,637

Movement in the allowance accounts:

	12-month ECL allowance	Lifetime ECL allowance	Total allowance
	RM'000	**RM'000**	**RM'000**
Group and Company			
At 1 January 2016	**–**	**5,899**	**5,899**
Effect of MFRS 9 *Financial Instruments* adoption	**5,354**	**–**	**5,354**
At 1 January (Restated)	**5,354**	**5,899**	**11,253**
Impairment for the year	**–**	**5,552**	**5,552**
Exchange difference	**237**	**1,417**	**1,654**
At 31 December 2016	**5,591**	**12,868**	**18,459**

	Group/Company
	2015
	RM'000
At 1 January	10,163
Impairment for the year	5,140
Amounts written off	(9,404)
At 31 December	5,899

25. Trade prepayments

	2016 RM'000	2015 RM'000
Group and Company		
Trade prepayments-norminal amounts	**67,469**	106,604
Less: Allowance for impairment (Note 11)	**(31,202)**	–
	36,267	106,604

The trade prepayments relate to provisional advances paid to suppliers of tin-in-concentrates.

26. Cash, bank balances and deposits

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash on hand and at banks	**29,832**	8,806	**23,312**	5,039
Deposits of up to three months maturity with licensed banks	**47,041**	118,385	**44,041**	91,290
	76,873	127,191	**67,353**	96,329
Deposit of more than three months maturity with licensed banks	**3,518**	6,683	**3,518**	3,449
	80,391	133,874	**70,871**	99,778

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between 2 days and 12 months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Group and the Company were 3.0% (2015: 3.0%) and 3.0% (2015: 2.8%) 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash on hand and at banks	**29,832**	8,806	**23,312**	5,039
Deposits of up to three months maturity with licensed banks	**47,041**	118,385	**44,041**	91,290
Cash and cash equivalents	**76,873**	127,191	**67,353**	96,329

27. Provisions

Group	2016 RM'000	2015 RM'000
Mine restoration	**26,728**	18,000
Provision for financial guarantee	**9,635**	9,635
Provision for environmental waste removal	**2,400**	–
	38,763	27,635
Analysed as:		
Current	**12,035**	9,635
Non-current	**26,728**	18,000
Company		
Current:		
Provision for financial guarantee	**9,635**	9,635

Group	Mine restoration RM'000
At 1 January 2016	**18,000**
Provision during the year (Note 15)	**8,008**
Unwinding of discount on provision (Note 9)	**720**
At 31 December 2016	**26,728**
At 1 January 2015	10,350
Provision during the year (Note 15)	7,288
Unwinding of discount on provision (Note 9)	362
At 31 December 2015	18,000
At 31 December 2016	
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	**26,728**
	26,728
At 31 December 2015	
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	18,000
	18,000

27. Provisions (cont'd)

(a) Mine restoration

The Group's tin mining activity is conducted principally through its subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT"). RHT is obliged to restore and rehabilitate the mine subsequent to the cessation of production.

Mine restoration costs will be incurred subsequent to the cessation of production of the mine property. The provision for mine restoration costs is based on the preset value of the estimated cash outflows to be incurred to restore and rehabilitate the mine.

In prior years, the main features of original mine rehabilitation plan were to allow the open pit to be naturally filled up with water and encapsulate the mine tailings areas with a clay layer.

The Group has engaged a South Korean consultant specialising in mine rehabilitation to carry out an assessment on the mine rehabilitation plan. Based on the assessment, the consultant has proposed a modification of the original mine rehabilitation plan to include revegetation of soil, pumping and ponding of mine pit and lime dosing.

During the financial year ended 31 December 2016, the change of mine rehabilitation method has resulted in an increase in provision for mine restoration costs due to an increase in the estimated cash outflows to be incurred to restore and rehabilitate the mine.

The South Korean consultant is of the view that the revised mine rehabilitation plan will address the practicality, safety and environmental concerns of Malaysian authorities and has a high probability of being approved by the Malaysian authorities.

(b) Provision for environmental waste removal

A provision of RM2,400,000 was made during the financial year ended 31 December 2016 in respect of the obligation of M Smelt (C) Sdn. Bhd. arising from present contractual agreement for removal of environmental waste from its plant. The provision for environmental waste removal is made based on the expected expenditure to be incurred to fulfill the obligation within the next 12 months.

28. Borrowings

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term borrowings				
Unsecured:				
Short term trade financing	**33,011**	17,584	**33,011**	17,584
Bankers' acceptances	**256,176**	368,078	**256,176**	368,078
Term loan 1	**–**	6,387	**–**	6,387
	289,187	392,049	**289,187**	392,049
Long term borrowings				
Unsecured:				
Term loan 2	**50,282**	–	**–**	–
Total borrowings	**339,469**	392,049	**289,187**	392,049

28. Borrowings (cont'd)

Term loan 1: Bank's Cost of Funds + 2.25% per annum

The term loan is denominated in US Dollars and repayable by 12 quarterly principal repayments commencing on 27 June 2013. The loan had been fully repaid during the financial year.

Term loan 2: 4.00% per annum

The term loan is denominated in Singapore Dollars and repayable in one lump sum at maturity on 17 November 2018.

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
On demand or within one year	**289,187**	392,049	**289,187**	392,049
More than 1 year and less than 2 year	**50,282**	–	**–**	–
	339,469	392,049	**289,187**	392,049

Other information on financial risks on borrowings are disclosed in Note 36.

29. Trade and other payables

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Current					
Trade payables					
Third parties	a	**91,206**	60,568	**86,947**	54,827
Subsidiaries	d	**–**	–	**37,346**	16,936
		91,206	60,568	**124,293**	71,763
Other payables					
Third parties	b	**22,217**	17,052	**14,186**	11,477
Holding company	c	**628**	17	**8**	17
Subsidiaries	d	**–**	–	**58,197**	975
Joint venture	e	**–**	47,593	**–**	47,593
		22,845	64,662	**72,391**	60,062
Accruals		**10,867**	8,220	**9,054**	7,292
GST output tax		**1,241**	971	**–**	–
		34,953	73,853	**81,445**	67,354

29. Trade and other payables (cont'd)

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Total trade and other payables		**126,159**	134,421	**205,738**	139,117
Less: GST output tax		**(1,241)**	(971)	**–**	–
		124,918	133,450	**205,738**	139,117
Add: **Borrowings** (Note 28)		**339,469**	392,049	**289,187**	392,049
Total financial liabilities carried at amortised cost		**464,387**	525,499	**494,925**	531,166

(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 and repayable on demand and include advances amounting to RM58.89 million (2015: RM Nil) where interest rates ranging from 2.5% to 4.0% (2015: Nil) per annum is charged.

(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 35.

Other information on financial risks of trade and other payables are disclosed in Note 36.

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 2015/31 December 2015/31 December 2016	**100,000**	**100,000**	**76,372**	**176,372**
Company				
At 1 January 2015/31 December 2015/31 December 2016	**100,000**	**100,000**	**74,666**	**174,666**

	Number of ordinary shares of RM1 each		Amount	
	2016	**2015**	**2016**	**2015**
	'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)

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 the 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) Fair value through other comprehensive income ("FVOCI")/Available-for-sale reserves

The account records the cumulative fair value changes of 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. Deferred tax

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	**(705)**	(2,889)	**(310)**	(2,494)
Effect of MFRS 9 *Financial Instruments* adoption	**(1,009)**	–	**(1,009)**	–
At 1 January (Restated)	**(1,714)**	(2,889)	**(1,319)**	(2,494)
Recognised in profit or loss (Note 12)	**(4,765)**	2,932	**(2,522)**	3,224
Recognised in other comprehensive income (Note 12)	**4,452**	(748)	**4,296**	(1,040)
At 31 December	**(2,027)**	(705)	**455**	(310)

Presented after appropriate offsetting as follows:

Deferred tax assets	**(3,986)**	(2,099)	**–**	(310)
Deferred tax liabilities	**1,959**	1,394	**455**	–
	(2,027)	(705)	**455**	(310)

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

Deferred tax liabilities

	Investments securities - quoted investments	Property, plant and equipment	Total
	RM'000	RM'000	RM'000
Group			
At 1 January 2016	**124**	**6,419**	**6,543**
Effect of MFRS 9 *Financial Instruments* adoption	**(1,009)**	**–**	**(1,009)**
At 1 January 2016 (Restated)	**(885)**	**6,419**	**5,534**
Recognised in profit or loss	**–**	**(52)**	**(52)**
Recognised in other comprehensive income	**2,519**	**231**	**2,750**
At 31 December 2016	**1,634**	**6,598**	**8,232**
At 1 January 2015	714	6,614	7,328
Reclassification	–	(1,294)	(1,294)
Recognised in profit or loss	–	459	459
Recognised in other comprehensive income	(590)	640	50
At 31 December 2015	124	6,419	6,543

32. **Deferred tax (cont'd)**

Deferred tax liabilities (cont'd)

	Investments securities - quoted investments RM'000	Property, plant and equipment RM'000	Total RM'000
Company			
At 1 January 2016	**124**	**4,604**	**4,728**
Effect of MFRS 9 *Financial Instruments* adoption	**(1,009)**	**–**	**(1,009)**
At 1 January 2016 (Restated)	**(885)**	**4,604**	**3,719**
Recognised in profit or loss	**–**	**50**	**50**
Recognised in other comprehensive income	**2,519**	**75**	**2,594**
At 31 December 2016	**1,634**	**4,729**	**6,363**
At 1 January 2015	714	3,633	4,347
Recognised in profit or loss	–	623	623
Recognised in other comprehensive income	(590)	348	(242)
At 31 December 2015	124	4,604	4,728

Deferred tax assets

	Unabsorbed capital allowances RM'000	Receivables RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
Group					
At 1 January 2016	**(1,165)**	**(176)**	**(3,492)**	**(2,415)**	**(7,248)**
Recognised in profit or loss	**1,165**	**(2,250)**	**(3,699)**	**71**	**(4,713)**
Recognised in other comprehensive income	**–**	**–**	**–**	**1,702**	**1,702**
At 31 December 2016	**–**	**(2,426)**	**(7,191)**	**(642)**	**(10,259)**
At 1 January 2015	–	(3,202)	(5,541)	(1,474)	(10,217)
Reclassification	–	–	1,294	–	1,294
Recognised in profit or loss	(1,165)	3,026	755	(143)	2,473
Recognised in other comprehensive income	–	–	–	(798)	(798)
At 31 December 2015	(1,165)	(176)	(3,492)	(2,415)	(7,248)

32. Deferred tax (cont'd)

Deferred tax assets (cont'd)

	Unabsorbed capital allowances RM'000	Receivables RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
Company					
At 1 January 2016	**(1,165)**	**(178)**	**(1,280)**	**(2,415)**	**(5,038)**
Recognised in profit or loss	**1,165**	**(2,248)**	**(1,560)**	**71**	**(2,572)**
Recognised in other comprehensive income	**–**	**–**	**–**	**1,702**	**1,702**
At 31 December 2016	**–**	**(2,426)**	**(2,840)**	**(642)**	**(5,908)**
At 1 January 2015	–	(3,204)	(2,163)	(1,474)	(6,841)
Recognised in profit or loss	(1,165)	3,026	883	(143)	2,601
Recognised in other comprehensive income	–	–	–	(798)	(798)
At 31 December 2015	(1,165)	(178)	(1,280)	(2,415)	(5,038)

33. Derivative financial instruments

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

	Group Liabilities RM'000	Company Liabilities RM'000
At 31 December 2016		
Forward currency contracts	**3,523**	**2,676**
Analysed as:		
Current	**2,676**	**2,676**
Non-current	**847**	**–**

	Group/Company Liabilities RM'000
At 31 December 2015	
Interest rate swap contract	2
Forward currency contracts	5,461
Forward commodity contracts	4,601
	10,064
Analysed as:	
Current	10,064
Non-current	–

(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.

33. Derivative financial instruments (cont'd)

The Group has the following derivative financial instruments at the reporting date:

At 31 December 2016

(i) Forward currency contracts designated as hedges

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

Sell USD (in million)	**Range of maturity period**	**Average exchange rate RM/USD**
22.7	From January 2017 to March 2017	4.3728

A fair value loss of RM2,263,000 with a deferred tax benefit of RM543,000 on such contracts that relate to effective hedges has been included in the hedging reserves in respect of these contracts. The cash flow hedges of certain contracts were assessed to be ineffective. Accordingly, a fair value loss of RM405,000 with a deferred tax benefit of RM97,000 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**
1.7	January 2017	4.4890

The cash flow hedges of these contracts were assessed to be ineffective. Accordingly, a fair value loss of RM5,000 with a deferred tax benefit of RM1,200 in respect of these contracts has been recognised in profit or loss.

Buy SGD (in million)	**Range of maturity period**	**Average exchange rate RM/SGD**
0.4	January 2017	3.1100

The cash flow hedge of this contract was assessed to be ineffective. Accordingly, a fair value loss of RM3,000 with a deferred tax benefit of RM700 in respect of this contract has been recognised in profit or loss.

33. Derivative financial instruments (cont'd)

At 31 December 2016 (cont'd)

(ii) Forward currency contracts not designated as hedges

Forward currency contracts not designated as hedges to manage its foreign currency risk on expected future repayment of borrowings in Singapore Dollar (SGD):

Buy SGD (in million)	Range of maturity period	Average exchange rate RM/SGD
16.2	November 2018	3.2325

A fair value loss of RM847,000 in respect of these contracts has been recognised in profit or loss.

At 31 December 2015

(i) Forward currency contracts designated as 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
27.9	From January 2016 to December 2016	4.1279

A fair value loss of RM5,452,000 with a deferred tax benefit of RM1,308,000 on such contracts that relate to effective hedges has been included in the hedging reserves in respect of these contracts. The cash flow hedges of certain contracts were assessed to be ineffective. Accordingly, a fair value gain of RM18,000 with a deferred tax expense of RM4,000 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
3.6	January 2016	4.3029

A fair value gain of RM6,000 with a deferred tax expense of RM1,000 on such contracts that relate to effective hedges has been included in the hedging reserves in respect of these contracts. The cash flow hedges of certain contracts were assessed to be ineffective. Accordingly, a fair value loss of RM33,000 with a deferred tax benefit of RM8,000 in respect of these contracts has been recognised in profit or loss.

33. Derivative financial instruments (cont'd)

At 31 December 2015 (cont'd)

(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
1.5	March 2016	3 months London Inter-bank Offer Rate	0.70%

A fair value loss of RM2,000 with a deferred tax benefit of RM500 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
2.3	From January 2016 to December 2016	USD358 per tonne

A fair value loss of RM3,915,000 with a deferred tax benefit of RM940,000 on such contracts that relate to effective hedges has been included in the hedging reserves in respect of these contracts. The cash flow hedges of certain contracts were assessed to be ineffective. Accordingly, a fair value loss of RM686,000 with a deferred tax benefit of RM165,000 in respect of these contracts has been recognised in profit or loss.

34. Capital commitments

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital expenditure:				
Approved and contracted for:				
- Property, plant and equipment	**287**	1,520	**269**	1,520
Approved but not contracted for:				
- Property, plant and equipment	**29,098**	19,879	**–**	–

35. 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.

	Note	2016 RM'000	2015 RM'000
Group			
Associates/joint ventures:			
- Sales of products	(i)	**50,408**	48,872
- Interest income	(ii)	**169**	133
Director:			
- Legal fee charges	(vi)	**140**	–
Key management personnel:			
- Professional fee charges	(vii)	**466**	–
Company			
Subsidiaries:			
- Purchases of products	(iii)	**174,366**	114,482
- Interest income	(ii)	**593**	480
- Management fee income		**2,400**	2,400
- Advances given	(iv)	**7,520**	–
- Advances received	(v)	**58,886**	–
- Rental paid		**1,796**	1,796
- Interest expense	(v)	**1,348**	–
Associates/joint ventures:			
- Sales of products	(i)	**50,408**	48,872
- Interest income	(ii)	**169**	133

(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 subsidiaries, associate and joint venture. Further details are disclosed in Note 24.

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

35. Related party disclosures (cont'd)

(a) Related party transactions (cont'd)

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

(v) Advances received from a subsidiary is subject to interest as disclosed in Note 29 (d).

(vi) Legal fee was raised by a law firm on a subsidiary of the Company where a director of the Company and a director of the subsidiary are partners of the law firm.

(vii) Professional fee was charged by a firm related to a member of key management personnel of the Group.

Information regarding outstanding balances arising from related party transactions as at 31 December 2015 and 2016 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits	**4,733**	5,868	**4,434**	5,205
Post-employment benefits:				
- Defined contribution plan	**543**	716	**543**	648
Termination benefits	**1,600**	–	**1,600**	–
	6,876	6,584	**6,577**	5,853

Included in the total compensation of key management personnel was:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 4)	**731**	834	**655**	730

36. 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.

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

(a) Interest rate risk (cont'd)

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 2016
There were no Interest Rate Swap Contract outstanding at the financial year ended 31 December 2016.

At 31 December 2015

Notional Amount (USD Million)	:	1.5
Maturity Period	:	March 2016
Receive Floating Interest Rate	:	3 months London Inter-bank Offer Rate
Pay Fixed Interest Rate	:	0.70%

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 2016		
- Malaysian Ringgit	**+25**	**(393)**
	-25	**393**
- United States Dollar	**+25**	**(60)**
	-25	**60**
At 31 December 2015		
- Malaysian Ringgit	+25	(478)
	-25	478
- United States Dollar	+25	(22)
	-25	22

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

(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 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) 92% (2015: 91%) of the Group's trade and other receivables (excluding deposits and GST input tax) as well as 56% (2015: 73%) of the Group's trade and other payables (excluding GST output tax) are denominated in foreign currencies, mainly in United States Dollar, Indonesian Rupiah and Singapore Dollar.

(ii) 8% (2015: 10%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar and Indonesian Rupiah.

(iii) 25% (2015: 6%) of the Group's borrowings are denominated in United States Dollar and Singapore Dollar.

At 31 December 2016, the Group held forward currency contracts designated as hedges to manage its foreign currency risk on expected future sales receivables and purchases payables in United States Dollar and Singapore Dollar for actual and highly probable forecasted transactions.

Forward currency contracts designated as hedges

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting had previously been used, which are no longer expected to occur. The ineffectiveness arising from the cash flow hedges resulted in a net loss of RM413,000 (2015: RM15,000) with a deferred tax benefit of RM99,000 (2015: RM4,000) recognised in profit or loss (see Note 33(i)).

The cash flow hedges of certain contracts were assessed to be effective and a net loss of RM2,263,000 (2015: a net loss of RM5,446,000) with a deferred tax benefit of RM543,000 (2015: RM1,307,000) is included in other comprehensive income (see Note 33(i)).

Forward currency contracts not designated as hedges

A loss of RM847,000 (2015: RM Nil) in respect of the forward currency contracts were recognised in profit or loss (see Note 33(i)).

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar ("USD") 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:

		2016		2015	
		(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%	**(10,191)**	**(8,471)**	(6,084)	(5,450)
	weakened by 5%	**9,353**	**11,073**	1,305	5,444

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

(c) Liquidity risk

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

The Group 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.

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 2016					
Financial assets:					
Non-derivative					
Trade receivables	23	30,733	–	–	30,733
Other receivables	24	1,063	–	–	1,063
Cash, bank balances and deposits	26	80,391	–	–	80,391
Total undiscounted financial assets		112,187	–	–	112,187
Financial liabilities:					
Non-derivative					
Borrowings	28	289,187	50,282	–	339,469
Interest payable on borrowings		2,197	1,769	–	3,966
Trade and other payables	29	124,918	–	–	124,918
Derivative					
Forward currency contracts	33	2,676	847	–	3,523
Total undiscounted financial liabilities		418,978	52,898	–	471,876
Total net undiscounted financial liabilities		(306,791)	(52,898)	–	(359,689)

36. 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 2015					
Financial assets:					
Non-derivative					
Trade receivables	23	43,397	–	–	43,397
Other receivables		6,899	7,843	1,963	16,705
Cash, bank balances and deposits	26	133,874	–	–	133,874
Total undiscounted financial assets		184,170	7,843	1,963	193,976
Financial liabilities:					
Non-derivative					
Borrowings	28	392,049	–	–	392,049
Interest payable on borrowings		339	–	–	339
Trade and other payables	29	133,450	–	–	133,450
Derivative					
Interest rate swap contract	33	2	–	–	2
Forward currency contracts	33	5,461	–	–	5,461
Forward commodity contracts	33	4,601	–	–	4,601
Total undiscounted financial liabilities		535,902	–	–	535,902
Total net undiscounted (financial liabilities)/financial assets		(351,732)	7,843	1,963	(341,926)
Company					
At 31 December 2016					
Financial assets:					
Non-derivative					
Trade receivables	**23**	**30,729**	**–**	**–**	**30,729**
Other receivables	**24**	**23,404**	**–**	**–**	**23,404**
Cash, bank balances and deposits	**26**	**70,871**	**–**	**–**	**70,871**
Total undiscounted financial assets		**125,004**	**–**	**–**	**125,004**

36. 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 2016					
Financial liabilities:					
Non-derivative					
Borrowings	**28**	**289,187**	**–**	**–**	**289,187**
Interest payable on borrowings		**186**	**–**	**–**	**186**
Trade and other payables	**29**	**205,738**	**–**	**–**	**205,738**
Derivative					
Forward currency contracts	**33**	**2,676**	**–**	**–**	**2,676**
Total undiscounted financial liabilities		**497,787**	**–**	**–**	**497,787**
Total net undiscounted financial liabilities		**(372,783)**	**–**	**–**	**(372,783)**
At 31 December 2015					
Financial assets:					
Non–derivative					
Trade receivables	23	43,395	–	–	43,395
Other receivables		22,510	7,843	1,963	32,316
Cash, bank balances and deposits	26	99,778	–	–	99,778
Total undiscounted financial assets		165,683	7,843	1,963	175,489
Financial liabilities:					
Non-derivative					
Borrowings	28	392,049	–	–	392,049
Interest payable on borrowings		339	–	–	339
Trade and other payables	29	139,117	–	–	139,117
Derivative					
Interest rate swap contract	33	2	–	–	2
Forward currency contracts	33	5,461	–	–	5,461
Forward commodity contracts	33	4,601	–	–	4,601
Total undiscounted financial liabilities		541,569	–	–	541,569
Total net undiscounted (financial liabilities)/financial assets		(375,886)	7,843	1,963	(366,080)

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

(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.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company determine the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, based on the Group's and the Company's historical information.

To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group and the Company consider available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating.
- External credit rating.
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group and the Company determined that its financial assets are credit-impaired when:

- There is significant financial difficulty of the debtor.
- A breach of contract, such as a default or past due event.
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.
- There is a disappearance of an active market for that financial asset because of financial difficulty.

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

(d) Credit risk (cont'd)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to meet a repayment plan with the Group and the Company. Where loans and receivables have been written off, the Group and the Company continue to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade and other receivables:

- The Group and the Company provide for 12-month expected credit losses for all trade and other receivables (excluding deposits and GST input tax). The 12-month expected credit losses have taken into consideration historical loss rate statistics for debts with similiar credit profile and the country risk of the debtors.

- For receivables which are lower risk, the probability of default ("PD") is minimal.

- For receivables which are higher risk, the PD rates ranging from 2.5% to 50% is applied if a receivable is more than 90 days to 360 days.

During the financial year, the Group and the Company did not make any write-offs of trade and other receivables. The Group and the Company do not expect to receive future cash flows from and no recoveries from collection of cash flows previously written off.

<u>Exposure to credit risk</u>

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.

The Group has a concentration of credit risk that may arise from exposures to a single debtor which constitutes approximately 24.9% (2015: 30.6%) of its trade receivables and 12.9% (2015: 45.7%) of its other receivables (excluding deposits and GST input tax).

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

(d) Credit risk (cont'd)

The Group and the Company determine concentrations of credit risk by monitoring the country profile of 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 and GST input tax) at the reporting date were as follows:

	2016		2015	
	RM'000	% of total	RM'000	% of total
Group				
By country:				
China, including Hong Kong and Taiwan	**10,248**	**32**	3,020	5
Japan	**7,667**	**24**	1,288	2
Germany	**6,024**	**19**	7,140	13
United Kingdom	**3,900**	**12**	720	1
Malaysia	**2,439**	**8**	10,685	19
Africa	**869**	**3**	7,023	13
Korea	**–**	**–**	13,251	24
Australia	**–**	**–**	7,294	13
Others	**649**	**2**	5,512	10
	31,796	**100**	55,933	100
Company				
By country:				
Malaysia	**24,776**	**46**	26,254	36
China, including Hong Kong and Taiwan	**10,248**	**19**	3,020	4
Japan	**7,667**	**14**	1,288	2
Germany	**6,024**	**11**	7,140	10
Africa	**869**	**1**	7,023	10
Korea	**–**	**–**	13,251	19
Australia	**–**	**–**	7,294	10
Others	**4,549**	**9**	6,272	9
	54,133	**100**	71,542	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 Notes 23 and 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 Notes 23 and 24.

36. 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. At the reporting date, there was no such contract outstanding. The ineffectiveness arising from the cash flow hedges resulted in a net loss of RM686,000 with a deferred tax benefit of RM165,000 recognised in profit or loss in the previous financial year (see Note 33(iii)).

The cash flow hedges of certain contracts were assessed to be effective and a net loss of RM3,915,000 with a deferred tax benefit of RM940,000 relating to the hedging instruments is included in other comprehensive income in the previous financial year (see Note 33(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:

		2016		2015	
		Increase/ (Decrease) in profit net of tax RM'000	Increase/ (Decrease) in equity RM'000	Increase/ (Decrease) in profit net of tax RM'000	Increase/ (Decrease) in equity RM'000
Fuel price	increased by 5%	–	–	(40)	193
	decreased by 5%	–	–	70	(193)

(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. On 1 January 2016, these instruments were classified as financial assets at FVOCI under the requirements of MFRS 9 *Financial Instruments*. Prior to 1 January 2016, these instruments were classified as available-for-sale investment securities.

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

(f) Market price risk (cont'd)

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

		2016		2015	
		Increase/ (Decrease) in profit net of tax RM'000	Increase/ (Decrease) in equity RM'000	Increase/ (Decrease) in profit net of tax RM'000	Increase/ (Decrease) in equity RM'000
Share price	increased by 5%	–	**890**	121	520
	decreased by 5%	–	**(890)**	(121)	(520)

(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.

	Group	
	2016 RM'000	2015 RM'000
Share capital	**100,000**	100,000
Share premium	**76,372**	76,372
Other reserves	**38,383**	33,435
Retained earnings	**64,334**	31,151
Total shareholders' equity	**279,089**	240,958
Non-controlling interests	**294**	296
Total equity	**279,383**	241,254
Total borrowings (Note 28)	**339,469**	392,049
Gearing ratio (as defined above)	**1.2**	1.6

37. 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:

	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
Group					
At 31 December 2016					
Assets measured at fair value:					
Investment securities (Note 20)					
- Equity instruments (quoted)	**31 Dec 2016**	**23,423**	**–**	**–**	**23,423**
Revalued freehold land and buildings (Note 15)					
- Land and tin smelting industrial complex in Butterworth	**31 Dec 2016**	**–**	**–**	**37,777**	**37,777**
- Land and buildings in Pulau Indah Industrial Park	**31 Dec 2016**	**–**	**–**	**32,396**	**32,396**
- Office lots in Kuala Lumpur	**31 Dec 2016**	**–**	**–**	**6,750**	**6,750**
- 80 units flats in Bukit Mertajam	**31 Dec 2016**	**–**	**–**	**4,400**	**4,400**
- Land and buildings in Daerah Hulu Perak	**31 Dec 2016**	**–**	**–**	**2,432**	**2,432**
		23,423	**–**	**83,755**	**107,178**

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

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

	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
Group					
At 31 December 2016					
Liabilities measured at fair value:					
Derivative financial liabilities (Note 33)					
- Forward currency contracts	**31 Dec 2016**	**–**	**3,523**	**–**	**3,523**
At 31 December 2015					
Assets measured at fair value:					
Investment securities (Note 20)					
- Equity instruments (quoted)	31 Dec 2015	12,930	–	–	12,930
Revalued freehold land and buildings (Note 15)					
- Land and tin smelting industrial complex in Butterworth	31 Dec 2015	–	–	35,418	35,418
- Office lots in Kuala Lumpur	31 Dec 2015	–	–	6,750	6,750
- 80 units flats in Bukit Mertajam	31 Dec 2015	–	–	4,400	4,400
- Land and buildings in Daerah Hulu Perak	31 Dec 2015	–	–	2,399	2,399
		12,930	–	48,967	61,897

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

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

	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
Group					
At 31 December 2015					
Liabilities measured at fair value:					
Derivative financial liabilities (Note 33)					
- Interest rate swap contract	31 Dec 2015	–	2	–	2
- Forward currency contracts	31 Dec 2015	–	5,461	–	5,461
- Forward commodity contracts	31 Dec 2015	–	4,601	–	4,601
		–	10,064	–	10,064

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)

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

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

Determination of fair value

Quoted equity instruments: Fair value is determined directly by reference to the published market closing 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 contract are valued using a valuation technique with market observable inputs. These contracts are valued by financial institutions.

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

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

Description	Fair value	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of the input to fair value
	RM'000				
Group					
At 31 December 2016					
Revalued freehold land and buildings (Note 15)	**83,755**	Market comparable approach/ Depreciated replacement cost	Difference in location, time factor and size	-20.0% to 30.0%	Every 1% increase or (decrease) in the adjustments would result in increase or (decrease) in fair value by RM283,000.
At 31 December 2015					
Revalued freehold land and buildings (Note 15)	48,967	Market comparable approach/ Depreciated replacement cost	Difference in location, time factor and size	-15.0% to 25.0%	Every 1% increase or (decrease) in the adjustments would result in increase or (decrease) in fair value by RM101,000.

37. 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	Leasehold land	Buildings
	RM'000	RM'000	RM'000
At 1 January 2016	**27,377**	**–**	**21,590**
Additions	**–**	**24,670**	**7,830**
Revaluation adjustments	**2,718**	**–**	**(379)**
Depreciation charge for the year	**–**	**(51)**	**(834)**
Elimination of accumulated depreciation on revaluation	**–**	**–**	**834**
At 31 December 2016	**30,095**	**24,619**	**29,041**
At 1 January 2015	24,660	–	20,144
Additions	–	–	9
Revaluation adjustments	2,717	–	1,437
Depreciation charge for the year	–	–	(686)
Elimination of accumulated depreciation on revaluation	–	–	686
At 31 December 2015	27,377	–	21,590

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 December 2016.

37. 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 receivables (current)	23
Other receivables (current)	24
Other receivables (non-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.

38. 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

These include investments in other metal and mineral resources to form a reportable operating segment.

38. 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	(Eliminations)/ Adjustments RM'000	Total RM'000
2016						
Revenue						
Sales to external customers		1,477,941	–	–	–	1,477,941
Inter-segment sales		8	174,366	1,796	(176,170)	–
Total revenue		1,477,949	174,366	1,796	(176,170)	1,477,941
Results						
Profit from operations		64,392	41,007	663	(6,280)	99,782
Impairment losses		(33,947)	–	(3,589)	–	(37,536)
Finance costs		(11,009)	(720)	(921)	–	(12,650)
Share of results of associates and joint ventures		–	–	(89)	–	(89)
Profit/(Loss) before tax		19,436	40,287	(3,936)	(6,280)	49,507
Income tax expense		(5,168)	(11,286)	(226)	1,505	(15,175)
Profit/(Loss) net of tax		14,268	29,001	(4,162)	(4,775)	34,332

38. Segmental information (cont'd)

Business segments (cont'd)

	Note	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
At 31 December 2016						
Assets						
Segment assets		670,061	68,936	23,642	(5,381)	757,258
Investment in associates and joint ventures		–	–	37,336	–	37,336
Total assets		670,061	68,936	60,978	(5,381)	794,594
Liabilities						
Segment liabilities		468,281	46,899	480	(449)	515,211
2016						
Other segment information						
Additions of non-current assets:						
- Property, plant and equipment	15	52,935	8,824	–	–	61,759
- Intangible and other non-current assets	21	–	3,657	–	–	3,657
Depreciation	4	4,479	4,705	–	–	9,184
Amortisation of prepaid land lease payments	4	27	6	–	–	33
Amortisation of mining rights	4	–	886	–	–	886
Amortisation of corporate club membership	4	3	5	41	–	49
Amortisation of mine properties	4	–	1,007	–	–	1,007
Other significant non-cash income:						
- Reversal of inventories written down to net realisable value	4	(17,400)	–	–	–	(17,400)
Interest income	6	(3,000)	(493)	–	–	(3,493)

38. Segmental information (cont'd)

Business segments (cont'd)

	Note	International Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
2015						
Revenue						
Sales to external customers		1,464,855	–	–	–	1,464,855
Inter-segment sales		4	114,482	1,796	(116,282)	–
Total revenue		1,464,859	114,482	1,796	(116,282)	1,464,855
Results						
Profit from operations		6,234	14,531	579	914	22,258
Impairment losses		(684)	–	(6,049)	–	(6,733)
Finance costs		(11,031)	(362)	(2,577)	–	(13,970)
Share of results of associates and joint ventures		–	–	1,683	–	1,683
(Loss)/Profit before tax		(5,481)	14,169	(6,364)	914	3,238
Income tax expense		(2,917)	(4,620)	(272)	(229)	(8,038)
(Loss)/Profit for the year		(8,398)	9,549	(6,636)	685	(4,800)
At 31 December 2015						
Assets						
Segment assets		608,464	111,985	2,690	(606)	722,533
Investment in associates and joint ventures		–	–	84,469	–	84,469
Total assets		608,464	111,985	87,159	(606)	807,002
Liabilities						
Segment liabilities		534,178	31,410	609	(449)	565,748
2015						
Other segment information						
Additions of non-current assets						
- Property, plant and equipment	15	5,190	7,790	–	–	12,980
- Intangible and other non-current assets	21	–	1,935	–	–	1,935
Depreciation	4	3,733	3,659	–	–	7,392
Amortisation of prepaid land lease payments	4	27	6	–	–	33
Amortisation of mining rights	4	–	890	–	–	890
Amortisation of corporate club membership	4	3	5	40	–	48
Amortisation of mine properties	4	–	1,011	–	–	1,011
Other significant non-cash expenses:						
- Write down of inventories	4	14,200	–	–	–	14,200
Interest income	6	(3,488)	(1,225)	–	–	(4,713)

38. Segmental information (cont'd)

Business segments (cont'd)

The following item was added to segment profit before tax to arrive at profit before tax as disclosed in the consolidated statement of profit or loss:

	Group	
	2016	**2015**
	RM'000	**RM'000**
(Unrealised profit)/Realised profit from inter segment sales	**(6,280)**	914

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Unrealised profit arising from inter-segment sales	**(4,932)**	(157)
Inter-segment assets	**(449)**	(449)
	(5,381)	(606)

38. Segmental information (cont'd)

Business segments (cont'd)

Geographical Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services. The activities of the Group are carried out mainly in Malaysia and as such, segmental reporting by geographical locations is not presented.

Information about major customers

Revenue from one major customer amounted to RM236,361,000 (2015: two major customers amounted to RM346,934,000 and RM150,233,000), arising from sales by the tin smelting segment.

39. Significant events

The following significant events occurred during the financial year ended 31 December 2016:

(a) On 14 June 2016, the Company acquired 100% equity interest in M Smelt (C) Sdn. Bhd. by way of an acquisition of two ordinary shares of RM1.00 each for a total consideration of RM2.00.

(b) On 15 June 2016, M Smelt (C) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into the following agreements with Metal Reclamation (Industries) Sendirian Berhad (Receiver and Manager Appointed) for:

(i) the conditional sale and purchase agreement for three (3) plots of leasehold industrial land with the buildings thereon, measuring approximately 48,753.57 square meters in Lot 6, 8 & 9 Jalan Perigi Nanas 6/1 Pulau Indah Industrial Park, West Port 42920 Port Klang, Selangor ("Properties") for a purchase consideration of RM32.5 million; and

(ii) the conditional asset sale agreement for the plant and machinery on the Properties for a purchase consideration of RM17.5 million.

The above acquisitions were completed on 21 November 2016.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 24 March 2017.

41. Supplementary information – 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 2016 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- Realised	**49,798**	25,029	**99,513**	77,040
- Unrealised	**(1,774)**	(4,243)	**(4,835)**	(7,076)
	48,024	20,786	**94,678**	69,964
Total share of (accumulated losses)/ retained earnings from associated companies:				
- Realised	**(2,782)**	(4,719)	**–**	–
- Unrealised	**464**	283	**–**	–
Total share of retained earnings/(accumulated losses) from joint ventures:				
- Realised	**17,672**	19,784	**–**	–
- Unrealised	**(125)**	(11,571)	**–**	–
	63,253	24,563	**94,678**	69,964
Add: Consolidation adjustments	**1,081**	6,588	**–**	–
Retained earnings as per financial statements	**64,334**	31,151	**94,678**	69,964

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 2016: (RM408,000); 31 December 2015: 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 2016: RM133,356,000; 31 December 2015: RM133,356,000) were adjusted to retained earnings.

Singapore FRSs do not provide for these MFRS 1 optional exemptions. The reconciliations of equity at the reporting date and for comparative period from MFRSs to Singapore FRSs are provided below:

Reconciliation of equity as at 31 December 2016

	MFRS as at 31.12.2016 RM'000	Note (a) Foreign currency translation reserves RM'000	Singapore FRS as at 31.12.2016 RM'000
Group			
Equity			
Foreign currency translation reserves	**3,206**	**408**	**3,614**
Retained earnings	**64,334**	**(408)**	**63,926**

	MFRS as at 31.12.2016 RM'000	Note (b) Investment in subsidiaries RM'000	Singapore FRS as at 31.12.2016 RM'000
Company			
Non-current assets			
Investment in subsidiaries	**148,681**	**(133,356)**	**15,325**
Equity			
Retained earnings/(Accumulated losses)	**94,678**	**(133,356)**	**(38,678)**

Reconciliation of equity as at 31 December 2015

	MFRS as at 31.12.2015 RM'000	Note (a) Foreign currency translation reserves RM'000	Singapore FRS as at 31.12.2015 RM'000
Group			
Equity			
Foreign currency translation reserves	11,313	(11,133)	180
Retained earnings	31,151	11,133	42,284

	MFRS as at 31.12.2015 RM'000	Note (b) Investment in subsidiaries RM'000	Singapore FRS as at 31.12.2015 RM'000
Company			
Non-current assets			
Investment in subsidiaries	148,681	(133,356)	15,325
Equity			
Retained earnings/(Accumulated losses)	69,964	(133,356)	(63,392)

LIST OF PROPERTIES OF THE GROUP

31 December 2016

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net carrying amount at 31.12.16 RM'000	Date of last revaluation
MALAYSIA							
1. 27 Jalan Pantai 12000 Butterworth							
(a) Lot 142-187 & 362	Land with offices and factory buildings	12.5 acres	Freehold	–	12 to over 50 years	37,760	31.12.2016
(b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	29 years	288	31.12.2016
(c) PT 686	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2069	NA	97	31.12.2016
2. Lot 6, 8 & 9 Jalan Perigi Nanas 6/1 Pulau Indah Industrial Park, West Port 42920 Port Klang Selangor	Land with offices and factory buildings	48,753 sq. m	Leasehold	2097	15 years	32,396	31.12.2016
3. B-15-11, Block B, 15th Floor Unit 11, Megan Avenue II 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,629 sq. ft.	Freehold	–	17 years	3,150	31.12.2016
4. B-15-6, B-15-7, Block B 15th Floor, Unit 6 & 7 Megan Avenue II 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur	Office premises	4,786 sq. ft.	Freehold	–	17 years	3,600	31.12.2016
5. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	–	16 years	4,400	31.12.2016
6. Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	–	over 49 years	242	31.12.2016
(b) Lot 2071, 55502, 55503 & 55504 (formerly PT 4440, 4441 & 4442), PT 3934, 4338, 4522 & 4523	Land with buildings	7.02 hectares	Leasehold	2068 - 2112	35 to over 50 years	1,480	31.12.2016
(c) PT 1705,1706 & 1707	3 units of terrace houses	417 sq. m	Leasehold	2108	6 years	495	31.12.2016
(d) PT 5022 & 5026	2 units of semi-detached houses	526 sq. m	Freehold	–	3 years	600	31.12.2016
7. Mukim Belukar Semang Daerah Hulu Perak							
(a) Lot 1886	Vacant land	0.4 hectares	Freehold	–	–	16	31.12.2016
(b) PT 725, 726, 727	Land with buildings	7.01 hectares	Leasehold	2022	–	4	31.12.2016

Deliveries of Refined Tin From Penang

(Tonnes Refined Tin by reported destination)

Destination	2011	2012	2013	2014	2015	2016
Africa	380	181	245	242	270	145
Australia & New Zealand	5	6	44	–	–	–
China	1,325	2,755	1,590	316	587	866
E.E.C. (incl. UK)	2,467	1,435	2,077	2,479	1,756	2,112
India, Pakistan & Bangladesh	3,140	3,420	4,073	4,459	2,286	2,686
Japan	1,633	1,819	1,988	3,348	3,763	3,517
Middle East	687	722	261	266	313	265
Taiwan	1,291	1,169	1,534	1,394	1,034	1,075
Korea	7,905	6,870	7,261	7,780	6,725	5,824
Rest of Asia Pacific	180	130	–	240	273	15
Singapore	380	1,910	795	100	45	–
South America	500	–	25	325	215	–
U.S.A.	1,060	1,900	3,850	5,165	5,125	4,100
	20,953	**22,317**	**23,743**	**26,114**	**22,392**	**20,605**
Malaysia (for domestic consumption) * Include tin deliveries to LME warehouses in Pasir Gudang and Port Kelang	18,504	15,696	9,349	9,037	7,572	6,375
Total	**39,457**	**38,013**	**33,092**	**35,151**	**29,964**	**26,980**

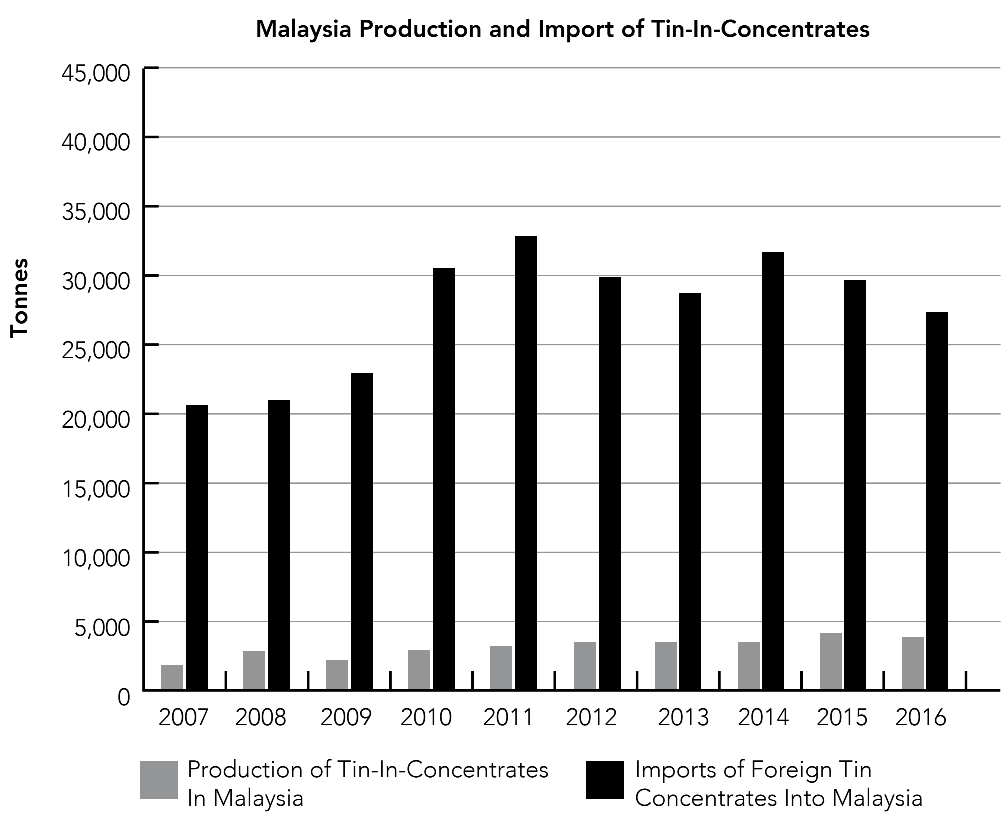
LME and US DLA's Stocks & Disposals
(In Tonnes)

PERIOD END	LME STOCKS *	DLA STOCKS #	
2016		Opening stock at 01.01.2016	4,020
1st Quarter	4,810		
2nd Quarter	5,985	Disposal during the year	–
3rd Quarter	3,510		
4th Quarter	3,750	Closing stock at 31.12.2016	4,020

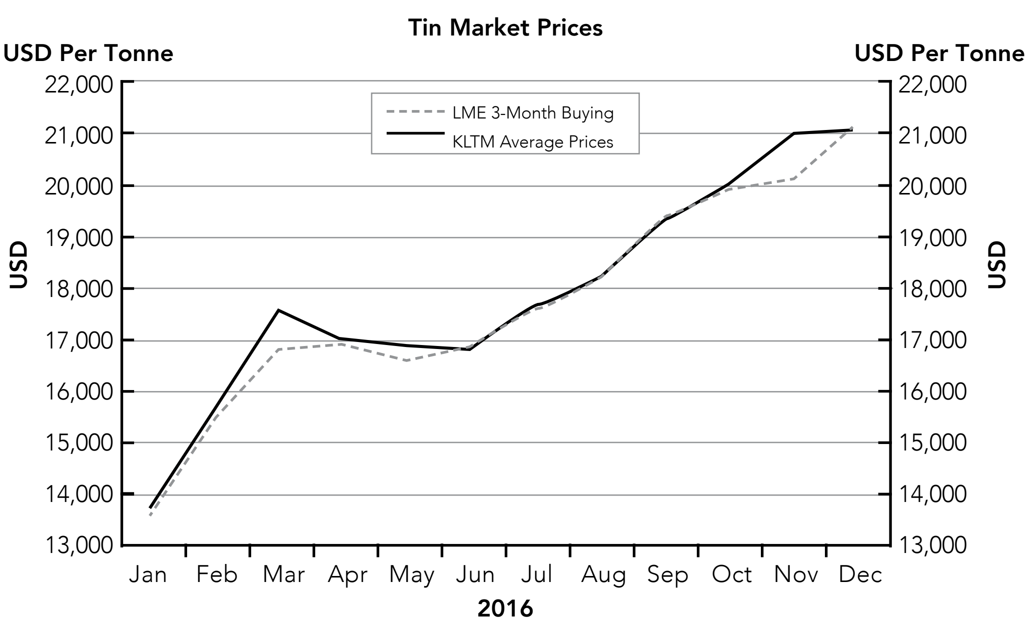
Sources : * Metal Bulletin
US Geological Survey - uncommitted stock

TIN STATISTICS (cont'd)

Production of Tin-In-Concentrates In Malaysia		Imports of Foreign Tin Concentrates Into Malaysia	
Year	Tonnes	Year	Tonnes
2007	2,264	2007	20,643
2008	2,606	2008	20,987
2009	2,380	2009	22,928
2010	2,668	2010	31,359
2011	3,344	2011	33,031
2012	3,725	2012	29,719
2013	3,688	2013	28,328
2014	3,777	2014	31,915
2015	4,158	2015	29,121
2016	4,123	2016	27,535



	KLTM Prices Highest USD per tonne	Lowest USD per tonne	Average USD per tonne	KLTM Turnover (Tonnes)	LME 3-Month Buying Average USD per tonne
2007	17,250	10,050	14,523	14,757	14,500
2008	25,400	9,850	18,438	18,077	18,434
2009	16,800	10,130	12,493	16,900	13,341
2010	27,000	15,395	18,859	15,599	20,400
2011	33,300	18,560	26,177	11,387	26,100
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
2015	19,950	13,700	16,050	12,679	16,018
2016	**22,000**	**13,250**	**17,926**	**11,568**	**17,861**
2016					
January	14,550	13,250	13,745	1,269	13,721
February	16,030	14,550	15,324	1,294	15,520
March	17,400	15,930	17,559	1,334	16,840
April	17,450	16,550	17,029	1,050	16,977
May	17,600	15,750	16,908	817	16,680
June	17,130	16,200	16,909	956	16,922
July	17,990	17,080	17,786	758	17,778
August	18,850	17,900	18,373	824	18,372
September	20,080	18,900	19,467	849	19,476
October	20,550	19,500	20,003	755	19,989
November	22,000	20,050	21,001	897	20,998
December	21,230	20,800	21,011	765	21,060



ANALYSIS OF SHAREHOLDINGS
(as at 28 March 2017)

Issued Share Capital	: RM100,000,000 comprising 100,000,000 Ordinary Shares
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
less than 100	21	0.54	422	0.00
100 to 1,000	1,708	43.98	1,109,596	1.11
1,001 to 10,000	1,617	41.63	7,092,200	7.09
10,001 to 100,000	458	11.79	13,895,782	13.90
100,001 to less than 5% of issued shares	77	1.98	27,041,200	27.04
5% and above of issued shares	3	0.08	50,860,800	50.86
TOTAL	**3,884**	**100.00**	**100,000,000**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 28 MARCH 2017

	Direct Interest		Deemed Interest	
Directors	No. of Shares Held	%	No. of Shares Held	%
Ms. Chew Gek Khim	400,000	0.40	–	–
Dato' Ng Jui Sia	–	–	–	–
Mr. Peter Ho Kok Wai	–	–	–	–
Mr. John Mathew a/l Mathai	–	–	–	–
Mr. Yap Chee Keong	–	–	–	–
Mr. Chia Chee Ming, Timothy	–	–	–	–

THE 30 LARGEST SHAREHOLDERS

	Shareholders	No. of Shares Held	%
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.	CARTABAN NOMINEES (TEMPATAN) SDN BHD FOR ICAPITAL.BIZ BERHAD	2,902,000	2.90
6.	NEOH CHOO EE & COMPANY SDN BHD	1,100,000	1.10
7.	LIM KHOON	999,800	1.00
8.	QUARRY LANE SDN BHD	860,000	0.86
9.	LEE PIN	829,000	0.83
10.	LEONG KOK TAI	670,000	0.67
11.	TOH YEW KEONG	650,000	0.65
12.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD FOR MD. AJIB BIN HJ. ANUAR	624,000	0.62
13.	DYNAQUEST SDN BHD	600,000	0.60
14.	AU YONG MUN YUE	575,000	0.58
15.	LIM KIAN SIONG	459,400	0.46
16.	KUEK SIAW KIA @ QUEK SHIEW POH	417,500	0.42
17.	TOH YEW KEONG	410,000	0.41
18.	2G CAPITAL PTE LTD	400,000	0.40
19.	CHEW GEK KHIM	400,000	0.40
20.	VISION CAPITAL PRIVATE LIMITED	400,000	0.40
21.	CIMB SEC (S'PORE) PTE LTD	396,500	0.40
22.	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	376,900	0.38
23.	LIM KIAN SIONG	359,000	0.36
24.	SYNERGY MOTION SDN BHD	359,000	0.36
25.	AU YONG MUN YUE	350,000	0.35
26.	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	349,800	0.35
27.	TAN LEE HWA	344,000	0.34
28.	PUI CHENG WUI	320,700	0.32
29.	YEOH AH TU	300,000	0.30
30.	REDRING SOLDER (MALAYSIA) SDN BHD	285,000	0.29

ANALYSIS OF SHAREHOLDINGS
(as at 28 March 2017)

LIST OF SUBSTANTIAL SHAREHOLDERS
as at 28 March 2017

	Direct interest		Deemed interest	
Shareholders	No. of Shares Held	%	No. of Shares Held	%
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 INVESTMENTS 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)

No. of ordinary shares held	CDS account no. of holder

I/We, ______________________________(name of shareholder as per NRIC/Passport, in capital letters), IC No./Passport No./Company No.____________________ of ______________________________(full address) being a member of MALAYSIA SMELTING CORPORTION BERHAD (43072-A) hereby appoint *Mr/Ms ______________________________ (NRIC/Passport No.____________) of______________________________or failing whom *Mr/Ms______________________________ (NRIC/Passport No.____________) of ______________________________ or failing *him/*them, the Chairman of the Meeting as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Thirty-Eighth Annual General Meeting ("AGM") of the Company to be held at Merbah Room, LG Level - Main Wing, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, Malaysia on Wednesday, 17 May 2017 at 11.00 a.m. and at any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below.

	RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Final Single-Tier Dividend of 8 sen per share in respect of the financial year ended 31 December 2016.	**Ordinary Resolution 1**		
2.	To approve the Directors' Fees of the Company and subsidiaries of RM685,000 for the financial year ended 31 December 2016.	**Ordinary Resolution 2**		
3.	To approve the Directors' Fees and benefits payable by the Company and its subsidiaries of an aggregate amount of RM950,000 from 1 January 2017 until the next AGM of the Company.	**Ordinary Resolution 3**		
4.	Re-election of Ms Chew Gek Khim as Director.	**Ordinary Resolution 4**		
5.	Re-election of Mr. Yap Chee Keong as Director.	**Ordinary Resolution 5**		
6.	Re-election of Mr. Chia Chee Ming, Timothy as Director.	**Ordinary Resolution 6**		
7.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.	**Ordinary Resolution 7**		
8.	Authority to Allot and Issue Shares pursuant to Section 76 of the Companies Act 2016.	**Ordinary Resolution 8**		

(Please indicate with an "X" in the appropriate box against the resolutions on how you wish your proxy to vote. The proxy is to vote on the resolutions set out in the Notice of Meeting as you have indicated. If no specific instruction as to voting is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this ………… day of ……………………, 2017

____

Signature/Common Seal of Shareholder

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

NOTES:

1. A member entitled to attend, speak and vote at the meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company and there is no restriction as to the qualification of a proxy.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with 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 48 hours before the time set for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or Adjourned AGM.
5. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 9 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Please fold here to seal

STAMP

MALAYSIA SMELTING CORPORATION BERHAD (43072-A)
B-15-11, Block B, 15th Floor
Unit 11, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

Please fold here to seal

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/ 9261 • Fax: (+603) 2166 9245

www.msmelt.com

conceptualised by | INTACT Group | *Printed on environmental free paper*