

*Going*  
**FORWARD** *towards* excellence





## 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

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

- **Ms. Chew Gek Khim PJG**  
*Chairman, Non-Independent Non-Executive Chairman*
- **Mr. Chia Chee Ming, Timothy**  
*Senior Independent Director*
- **Dato' Ng Jui Sia**  
*Independent Non-Executive Director*
- **Mr. John Mathew A/L Mathai**  
*Independent Non-Executive Director*
- **Mr. Yap Chee Keong**  
*Independent Non-Executive Director*
- **Dato' Robert Teo Keng Tuan**  
*Independent Non-Executive Director*

### AUDIT COMMITTEE

- Dato' Robert Teo Keng Tuan  
*(Chairman)*
- Dato' Ng Jui Sia
- Mr. Yap Chee Keong

### NOMINATING AND REMUNERATION COMMITTEE

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

### COMPANY SECRETARY

- Ms. Soo Han Yee  
*(MAICSA 7008432)*

### KEY PERSONNEL

- **Dato' Dr. Ir. Patrick Yong Mian Thong**  
*(Chief Executive Officer)*
- **Dr. Tey Joo Guan**  
*(Deputy Chief Executive Officer I)*
- **Mr. Nicolas Chen**  
*(Deputy Chief Executive Officer II)*
- **Mr. Tevanaigam Randy Chitty**  
*(Group Chief Financial Officer)*
- **Ir. Raveentiran A/L Krishnan**  
*(Head of Operations, Smelting)*
- **En Madzlan Bin Zam**  
*(Senior General Manager, Rahman Hydraulic Tin Sdn. Bhd.)*
- **Mr. Yoon Choon Kong**  
*(Internal Auditor)*

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Singapore Exchange Securities Trading  
Limited

### REGISTERED & CORPORATE OFFICE

Lot 6, 8 & 9, Jalan Perigi Nanas 6/1  
Pulau Indah Industrial Park  
West Port, Port Klang  
42920 Pulau Indah, Selangor, Malaysia

Tel : (603) 3102 3083  
Fax : (603) 3102 3080

## Corporate Information (cont'd)

### SALES & TRADING DIVISION

Unit 15-12, Level 15, Q Sentral,  
2A, Jalan Stesen 2, KL Sentral,  
50470 Kuala Lumpur, Malaysia

Tel: (603) 2276 6260  
Fax: (603) 2276 6245

### BUTTERWORTH SMELTER

27 Jalan Pantai  
12000 Butterworth  
Penang, Malaysia

Tel : (604) 333 3500  
Fax : (604) 331 7405/ 332 6499

Website : [www.msmelt.com](http://www.msmelt.com)  
Email : [msc@msmelt.com](mailto: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, Malaysia

Tel No.: (603) 7849 0777  
Fax No.: (603) 7841 8151 / 8152

#### SINGAPORE

Tricor Barbinder Share Registrar  
Services  
80 Robinson Road  
#02-00, Singapore 068898

Tel: (65) 6236 3333  
Fax: (65) 6236 4399

### AUDITORS

Ernst & Young  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

Tel: (603) 7495 8000  
Fax: (603) 2095 5332

### PRINCIPAL BANKERS

CIMB Bank Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
Standard Chartered Bank Malaysia  
Berhad



# MOVING FORWARD TO SETTING STANDARDS OF EXCELLENCE

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.

## 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.

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.

conducting  
**CAREER DEVELOPMENT PROGRAMMES**



recognising  
**EMPLOYEE CONTRIBUTIONS**



providing  
**REWARDS & INCENTIVES**



cultivating a  
**CONDUCTIVE WORK ENVIRONMENT**









## CORPORATE PROFILE

# 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 2017, the Group produced 27,712 tonnes of tin metal thus maintaining its position as the third 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.

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.

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-Ninth Annual General Meeting (“AGM”) of MALAYSIA SMELTING CORPORATION BERHAD (the “Company”) will be held at Meeting Hall, Lot 8, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia on Wednesday, 30 May 2018 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 2017 together with the Directors’ and Auditors’ Reports thereon.                         | <b>Please refer to Note 1 of the Explanatory Notes</b>       |
| 2. | To approve the payment of Final Single-Tier Dividend of 4 sen per share in respect of the financial year ended 31 December 2017.  | <b>Ordinary Resolution 1</b>                                 |
| 3. | To approve the Directors’ Fees of the Company of RM537,647.93 for the financial year ended 31 December 2017.  | <b>Ordinary Resolution 2</b>                                 |
| 4. | To re-elect the following Directors of the Company who are retiring under the Constitution of the Company:<br>i) Mr. John Mathew A/L Mathai<br>ii) Dato’ Robert Teo Keng Tuan | <b>Ordinary Resolution 3</b><br><b>Ordinary Resolution 4</b> |
| 5. | To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 5</b>                                 |

#### As Special Business

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

- |    |  |                              |
|----|--|------------------------------|
| 6. | AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 and 76 OF THE COMPANIES ACT 2016<br><br>“THAT pursuant to Sections 75 and 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.” | <b>Ordinary Resolution 6</b> |
| 7. | 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 Annual General Meeting (cont'd)

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### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of shareholders at the Thirty-Ninth AGM, a Final Single-Tier Dividend of 4 sen per share in respect of the financial year ended 31 December 2017 will be paid to shareholders on 9 July 2018. The entitlement date for the said Dividend shall be on 12 June 2018.

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 12 June 2018 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  
SOO HAN YEE (MAICSA 7008432)  
Company Secretary

Date: 30 April 2018

### NOTES:

#### A. Proxy

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 Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia 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 24 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
  7. Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote on poll.
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## Notice of Annual General Meeting (cont'd)

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### **B. Audited Financial Statements for the financial year ended 31 December 2017**

Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders and hence, this item on the Agenda will not be put for voting.

### **C. Retirement of Director**

Dato' Ng Jui Sia retires pursuant to Article 101 of the Constitution and does not wish to seek re-election.

### **D. Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares**

The Company had, during its Thirty-Eighth AGM held on 17 May 2017, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Sections 75 and 76 of the Companies Act 2016. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

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## KEY FINANCIAL HIGHLIGHTS

		Year ended 31 December				
		2017	2016	2015	2014	2013 <sup>(1)</sup>
Revenue	(RM Mil)	<b>1,436.2</b>	1,477.9	1,464.9	1,915.2	1,582.0
Profit before tax						
– continuing operations	(RM Mil)	<b>28.2</b>	49.5	3.2	45.0	70.6
Income tax expense	(RM Mil)	<b>(12.1)</b>	(15.2)	(8.0)	(22.3)	(22.8)
Profit/ (Loss) attributable to the owners of the Company	(RM Mil)	<b>16.1</b>	34.3	(4.8)	(9.9)	16.8
Total assets	(RM Mil)	<b>874.4</b>	794.6	807.0	684.7	808.6
Net current assets/(liabilities)	(RM Mil)	<b>76.9</b>	114.0	32.5	49.6	(11.8)
Equity attributable to the owners of the Company	(RM Mil)	<b>290.8</b>	279.1	241.0	233.9	222.8
Earnings/ (Loss) per share	(sen)	<b>16</b>	34	(5)	(10)	17
Dividend per share	(sen)	<b>4<sup>(2)</sup></b>	8 <sup>(3)</sup>	-	-	-
Net assets per share attributable to the owners of the Company	(sen)	<b>291</b>	279	241	234	223
Pre-tax profit for continuing operations on average equity attributable to the owners of the Company	%	<b>10</b>	19	1	20	31

<sup>(1)</sup> Changed to present the performance of continuing operations and discontinued operations separately.

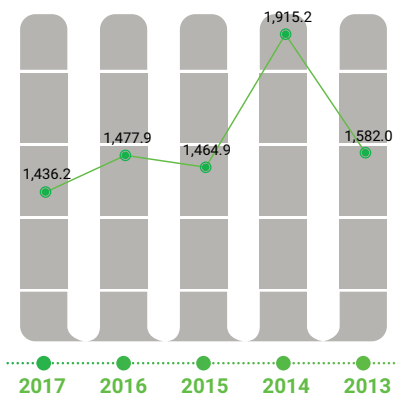
<sup>(2)</sup> Subject to the approval of the members at the forthcoming Annual General Meeting.

<sup>(3)</sup> The dividend was paid on 11 July 2017.

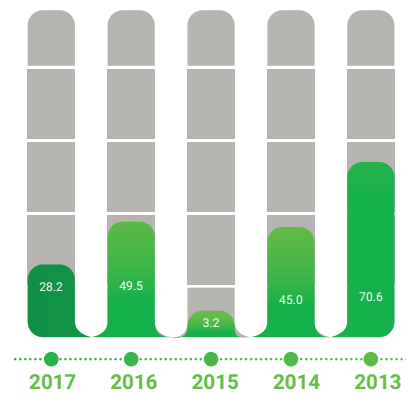


## Key Financial Highlights (cont'd)

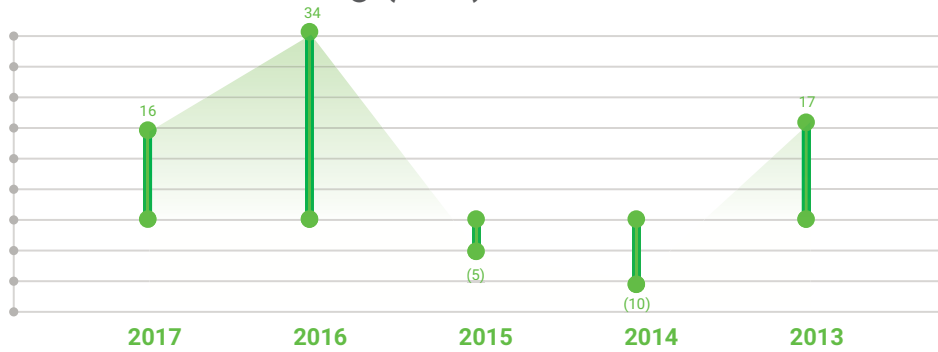
**Revenue (RM Mil)**



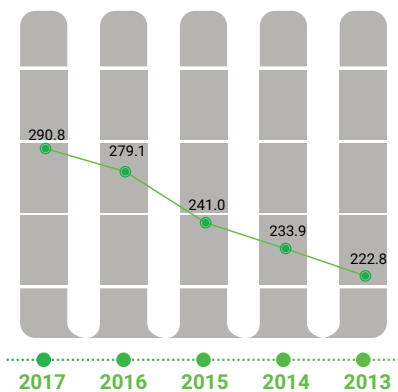
**Profit Before Tax (RM Mil)**



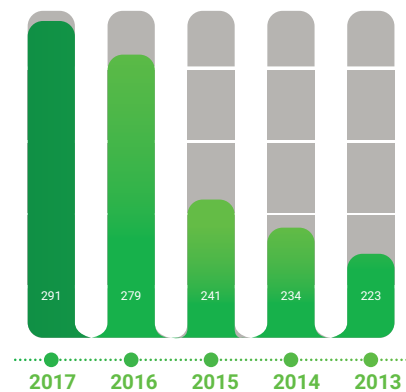
**Earning/(Loss) Per Share (sen)**



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



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



## BOARD OF DIRECTORS



**DATO' NG JUI SIA**  
*Independent Non-Executive Director*

**MR. CHIA CHEE MING, TIMOTHY**  
*Senior Independent Director*

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







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

**DATO' ROBERT TEO KENG TUAN**  
*Independent Non-Executive Director*

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



## PROFILE OF DIRECTORS

### 1. MS. CHEW GEK KHIM PJG

**56 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 a Non-Executive Chairman of ARA Trust Management (Suntec) Limited and sits on the Board of ARA Asset Management Holdings Pte. Ltd. and Singapore Exchange 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 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.

### 2. MR. CHIA CHEE MING, TIMOTHY

**68 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, a Member of the Advisory Board of the Asian Civilisations Museum and a Term Trustee of Singapore Indian Development Association (SINDA).

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 Power Assets Limited, Power Gas 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.

## Profile of Directors (cont'd)

### 3. DATO' NG JUI SIA

**65 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**

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 Price Waterhouse and has extensive general management experience operating in Hong Kong, China, South Asia, Malaysia and Singapore. He was with Carnaud Metal Box Asia before he joined the F&N Group in 1995. He led a management team in F&N Coca-Cola Singapore and Malaysia from 1995 till 2006 prior to his second-ment 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.

### 4. DATO' ROBERT TEO KENG TUAN

**67 years, Malaysian, Male  
Independent Non-Executive Director**

- **Member of the Malaysian Institute of Accountants**
- **Fellow member of the Institute of Chartered Accountants in England and Wales**
- **Member of the Malaysian Institute of Certified Public Accountants**
- **Member of the Institute of Taxation, England**

Dato' Robert Teo Keng Tuan was appointed as an Independent Non-Executive Director of the Company on 17 May 2017. He was also appointed as the Chairman of the Audit Committee of the Company on the same date.

He is a Chartered Accountant by profession. Dato' Robert Teo is the Managing Partner of RSM Malaysia, a professional public accounting firm, which is a member firm of RSM International. He has more than 35 years of experience in the fields of accounting, corporate taxation, audit assurance and corporate restructuring exercises. He has also undertaken Special Administrator appointments by Pengurusan Danaharta Nasional Berhad for certain public listed companies and is also involved in the restructuring of corporations, some of which are listed on the Bursa Malaysia Securities Berhad.

Dato' Robert Teo's specialised industry knowledge lies in the property, construction and housing development sector with a focus on tax planning.

Dato' Robert Teo currently sits on the board of Symphony Life Berhad, Malaysian-German Chamber of Commerce and Industry and The Tan Sri Tan Foundation.

## Profile of Directors (cont'd)

### 5. MR. JOHN MATHEW A/L MATHAI

**55 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. Mr. John was appointed as member of Audit Committee on 26 April 2017 and resigned on 17 May 2017.

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

### 6. MR. YAP CHEE KEONG

**57 years, Singaporean, Male**

**Independent Non-Executive Director**

- *Bachelor of Accountancy, National University of Singapore*
- *Fellow of the Institute of Singapore Chartered Accountants*
- *Fellow of the Certified Practising Accountants Australia*
- *Fellow of the Singapore Institute of Directors*

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 Olam International Limited, Sembcorp Industries Ltd, Shangri-La Asia Limited, Citibank Singapore Limited, Certis CISCO Security Pte Ltd and MediaCorp Pte Ltd, He is also an Independent Non-Executive Director of STC.

Mr. Yap was the Chairman of CityNet Infrastructure Management Pte Ltd (the trustee manager of NetLink Trust), the Lead Independent Director of Tiger Airways Holdings Limited, an Independent Non-Executive Director of CapitaMalls Asia Limited and a Non-Executive Director of ARA Asset Management Ltd. He was also a board member of the Accounting & Corporate Regulatory Authority and a member of the Public Accountants Oversight Committee.

He was previously the Executive Director of STC and the Chief Financial Officer of Singapore Power Group.

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 54.85% 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 2017.

#### 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 47 to 58 of this Annual Report.



## KEY PERSONNEL



**Dato' Dr. Ir. Patrick Yong Mian Thong**  
Chief Executive Officer

**Dr. Tey Joo Guan**  
Deputy Chief Executive Officer I

**Mr. Nicolas Chen Seong Lee**  
Deputy Chief Executive Officer II

**Mr. Yoon Choon Kong**  
Internal Auditor

**Mr. Tevanaigam Randy Chitty**  
Group Chief Financial Officer

**Ir. Raveentiran A/L Krishnan**  
Head of Operations, Smelting

**En. Madzlan Bin Zam**  
Senior General Manager,  
Rahman Hydraulic Tin Sdn. Bhd.

## KEY PERSONNEL PROFILE

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### 1. DATO' DR. IR. PATRICK YONG MIAN THONG

**65 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 Institution of Engineers Malaysia**

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. Partrick 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.

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### 2. DR. TEY JOO GUAN

**40 years, Malaysian, Male**  
**Deputy Chief Executive Officer I**

- **Bachelors of Engineering (Hons) Degree in Mechanical Engineering, University of Birmingham, United Kingdom**
- **PhD in "World Class Manufacturing and Organizational Change", University of Birmingham, United Kingdom**
- **Registered Chartered Professional Engineer by European Council**
- **Member of Institute of Engineering and Technology (MIET), United Kingdom**
- **Double Black Belt in Lean/ Six Sigma Certification**

Before starting his career at PALL Corporation as a Process Engineer, Dr. Tey Joo Guan was one of the few winners of Ellis, Linnings and Sandifier Prize offered in the United Kingdom to pursue his PhD, as a result of achieving top of the class of 1998 in the School of Mechanical and Manufacturing Engineering in the University of Birmingham.

With PALL Corporation, subsequently acquired by Haemonetics in 2012, Dr. Tey served the company for 15 years and had resumed various positions in the organization including Manufacturing, Process Excellence, Marketing, and Business Optimization.

In addition to the broad organizational exposure, Dr. Tey had resided in 4 continents: UK, Puerto Rico, Mexico and US, setting him apart with deep knowledge and wide experience geographically, culturally, and operationally. He also speaks 6 languages.

Throughout his career, Dr. Tey had secured 2 Black Belt certifications in Lean/ Six Sigma arena. He is a keen preacher of the methodology. He had personally trained and certified 80 Green Belts and facilitated over 100 Kaizen events. He repeatedly orchestrated continuous improvement and transformations for Haemonetics and its customers globally.

Dr. Tey returned to Malaysia after 20 years abroad to join MSC as Deputy Chief Executive Officer I on 1 December 2017.

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## Key Personnel Profile (cont'd)

### 3. MR. NICOLAS CHEN SEONG LEE

**45 years, Malaysian, Male**

**Deputy Chief Executive Officer II**

**- LL.B (Hons), University of London**

Mr Nicolas Chen Seong Lee started his career in the tax division of Arthur Andersen & Co., Kuala Lumpur, in 1997. In 2000, he joined the Structured Finance, Corporate Banking division of Affin Merchant Bank. He returned to tax practice in 2002 until 2010 with KPMG Tax Services Sdn Bhd. In KPMG, he was primarily undertaking tax advisory and tax planning assignments covering a broad range of Malaysian and overseas tax, corporate and legal issues. From 2010 to 2017, he managed an agro based company involved in farming and exporting a Malaysian produced fruit and downstream products.

Mr Nicolas Chen joined MSC on 1 November 2017 as General Manager (Special Projects) of Chief Executive Officer's Office before being redesignated as Deputy Chief Executive Officer II. His primary responsibility is to assist the Chief Executive Officer on matter covering legal, corporate, tax, human resource and administration for the MSC Group.

### 4. MR. TEVANAIGAM RANDY CHITTY

**50 years, Malaysian, Male**

**Group Chief Financial Officer**

**- Member of the Malaysian Institute of Certified Public Accountants**

Mr Tevanaigam Randy Chitty was appointed as Group Chief Financial Officer of the Company on 15 January 2018.

Mr Randy started his career as an Articled Clerk with Ernst & Young in 1989 and his last position there was as Audit Senior. In 1993, he joined the Corporate Finance division of Arab Malaysian Merchant Bank Berhad as an Officer and was promoted to Manager in 1996. In 1997, he joined TA Securities Berhad as a Senior Manager in the Corporate Finance division. Mr Randy continued his career as Group General Manager for Pancaran Ikrab Berhad in 1999.

In 2002, he joined the finance department of Bukit Kiara Properties Sdn Bhd as General Manager. Following that, in 2003 he joined as the Group General Manager of the finance department at AWC Facility Solutions Berhad (now known as AWC Berhad). In 2008, Mr Randy joined the International Corporate Finance Unit of Kenanga Investment Bank Berhad as a Director/Senior Vice President. In March 2015, Mr Randy rejoined AWC Berhad as the Chief Financial Officer until January 2018.

Mr Randy previously held a Capital Markets Services Representatives Licence as governed by the Securities Commission since 2008 until April 2017.

Presently, he is also the Director/Principal Consultant of Leading Advantage Consulting Sdn Bhd, a position he has held since 2009. Since 2010, he has been an Associate at Sierac Corporate Advisers Sdn Bhd., which he resigned from in April 2017.

## Key Personnel Profile (cont'd)

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### 5. IR. RAVEENTIRAN A/L KRISHNAN

**54 years, Malaysian, Male**

**Head of Operations, Smelting**

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

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.

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.

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### 6. EN. MADZLAN BIN ZAM

**59 years, Malaysian, Male**

**Senior General Manager, Rahman Hydraulic Tin Sdn. Bhd.**

- ***Bachelor of Science (Honours) Degree in Geology, Universiti Kebangsaan Malaysia***
- ***Registered Professional Geologist, Board of Geologists Malaysia***
- ***Member of the Institute of Geology Malaysia***
- ***Member of the Geological Society of Malaysia***
- ***Member of the Indonesian Association of Geologists***
- ***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.

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## Key Personnel Profile (cont'd)

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### 7. MR. YOON CHOON KONG

**63 years, Malaysian, Male**  
**Internal Auditor**

- ***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 Internal Auditor 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 Internal Auditor 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 39 years.

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## STATEMENT BY THE CHAIRMAN

**Dear Shareholders,**  
*On behalf of the Board of Directors ("Board"),  
I am pleased to present the Annual Report  
and Audited Financial Statements of MSC for  
the financial year ended 31 December 2017  
("FY2017").*

### REVIEW OF PERFORMANCE

I am delighted to announce a net profit of RM16.1 million on the back of revenue of RM1.4 billion. During the year, we successfully grew our total output of refined tin to 27,172 tonnes, cementing our position as one of the three largest refined tin producers in the world.

In line with the Group's performance, the Board has recommended a Final Single-Tier dividend of 4 sen per share, amounting to RM4 million in total. This represents a dividend payout ratio of 25% of MSC's FY2017 net profit.

### POSITIVE OUTLOOK FOR TIN

In 2017, average tin prices rose by more than 10% to approximately USD20,000/tonne as compared to the 2016 average of approximately USD18,000/tonne.

In the first few months of 2018, tin prices stayed above USD20,000/tonne. Robust demand for tin coupled with a shortfall in supply, arising from stricter environmental regulations, is expected to keep tin prices strong.

Today, tin is used in almost everything from smartphones to cars, and from food packaging to solar cells. The long-term growth prospects for tin are exciting as new applications are developed and discovered, particularly in the semiconductor and battery markets. Usage of tin has also increased in energy related technologies such as lithium-ion batteries for electric vehicles.

### TECHNOLOGY INNOVATIONS

We aim to be a forward looking organization that spearheads technology innovations.

Mindful of the competitive landscape we operate in, the focus in 2017 was on executing our plan to upgrade our existing smelting technology to the state of the art extractive technology. Once the new smelter is operational, cost and production efficiencies will be enhanced. In addition to the commercial benefits, the new smelter will also be environmentally friendlier with a reduction in carbon footprint.

The completion of this technology upgrade will put us on the global map as being one of the most modern and cost efficient smelters in the world. We are adopting best industry practices in the area of energy management. We believe that people are our most valuable asset and we are investing in the right talents and skills that will drive the Group further.



## Statement By The Chairman (cont'd)



We are confident that these efforts will lay strong foundations for the Group to grow and prosper well into the future, creating long-term value to our shareholders.

### RESPONSIBLE AND SUSTAINABLE PRACTICES

At MSC, we strongly believe in the importance of building a long term business that benefits the communities and environment we operate in. We have outlined our sustainability and corporate practices relating to the economic, social and environmental aspects of our business in the Sustainability Statement.

In addition, we are committed to uphold the highest standards of corporate governance and will take the necessary steps to ensure that we comply with the newly released Malaysian Code on Corporate Governance 2017 by the Securities Commission Malaysia.

### APPRECIATION

On behalf of the Board, I wish to extend my sincere gratitude to the management team and staff for their continued dedication and contribution to the Group.

I would like to thank Dato' Ng Jui Sia and Mr. Yap Chee Keong, who are stepping down as Directors on 30 May 2018, for their valuable contributions during their tenures. At the same time, we are pleased to welcome Dato' Robert Teo Keng Tuan, who joined as an Independent Non-Executive Director on 17 May 2017. I am confident that his expertise and experience in the fields of accounting, audit assurance and corporate restructuring will complement and augment the diverse strengths of the Board.

We regret that Mr. Au Soon Yong has left the Group to pursue his personal interests. We wish to thank Mr. Au for his dedicated and unstinting contributions to the Group. We would like to welcome Dr. Tey Joo Guan, Deputy Chief Executive Officer I, Mr. Nicolas Chen, Deputy Chief Executive Officer II, and Mr. T. Randy Chitty, Group Chief Financial Officer, to the executive team.

My appreciation also extends to our customers, suppliers, bankers, business associates and relevant authorities for their cooperation and continued support.

I also wish to thank our shareholders for their patience and confidence in us as we embark on this transition which will ultimately put the Group on a stronger footing.

**CHEW GEK KHIM PJC**  
Non-Independent Non-Executive Chairman  
10 April 2018

## MANAGEMENT DISCUSSION & ANALYSIS



### FINANCIAL PERFORMANCE REVIEW

Being an integrated tin producer, the Group's core operations comprise both upstream and downstream activities of the tin value chain through (i) the Group's international tin smelting business, and (ii) our local tin mining operations at Rahman Hydraulic Tin Sdn Bhd ("RHT") in Perak.

Amid a challenging business climate in 2017, MSC remained resilient and for the first time in ten years, reported a profitable set of financial results for two consecutive years. Stronger tin prices led to higher earnings contribution from the Group's tin mining division, however this was weighed down by losses at the Group's smelting operations at Butterworth.

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

<b>Operating snapshot</b>	<b>2017</b>	<b>2016</b>
Group's revenue	Approx. RM1.4 billion	Approx. RM1.5 billion
Group's profit before tax (RM million)	RM28.2 million	RM49.5 million
<b>MSC International Tin Smelter</b>		
Production of refined tin (tonnes)	27,172	26,802
(Loss)/Profit before tax (RM million)	(19.5)	19.4
<b>Rahman Hydraulic Tin</b>		
Production of tin-in concentrates (tonnes)	2,226	2,228
Sales of tin metal (tonnes)	2,225	2,491
Profit before tax (RM million)	46.7	40.3
Average tin market price (USD per tonne)	20,036	17,900

For the year ended 31 December 2017 ("FY2017"), MSC reported a pre-tax profit and net profit of RM28.2 million and RM16.1 million respectively.



## Management Discussion & Analysis (cont'd)



MSC's international tin smelting business performance was impacted by higher cost of sales and operating expenses due to inefficiencies of the aged equipment at the Butterworth facility, which led to lower recovery of tin. As a result, the smelting division recorded a pre-tax loss of RM19.5 million in FY2017 from a pre-tax profit of RM19.4 million for the year ended 31 December 2016 ("FY2016"). The absence of reversal of inventories written down to net realisable value of RM17.4 million (which occurred in FY2016) further contributed to the performance difference.

The losses from tin smelting were however offset by our mining division's improved pre-tax profit of RM46.7 million, a 16% increase from last year's pre-tax profit of RM40.3 million. The growth was on the back of higher average tin prices in 2017, which rose by 12% to USD20,036/tonne from USD17,900/tonne in 2016 (Source: Kuala Lumpur Tin Market).

Group revenue marginally decreased to RM1.4 billion in FY2017, compared to RM1.5 billion in the previous year due to lower sales volume of refined tin during the year.

### FINANCIAL POSITION

During FY2017, borrowings increased to RM452.8 million due to the drawdown of additional short-term trade facilities to finance the Group's day-to-day operations. As a consequence there was a 31% reduction in trade and other payables to RM86.5 million as at 31 December 2017.

Despite taking on more debt, the Group's gearing of 1.6 times is still within manageable levels, and we are confident will be supported by future business prospects.

Meanwhile, the Group's inventories rose to RM469.7 million in FY2017 following the increase in tin stock levels, ready to be processed for smelting purposes. As a result of the rise in inventories, the Group's cash and bank balances decreased in tandem to RM68.7 million in FY2017.

We continue to closely monitor the collection of the Group's receivables. As at 31 December 2017, trade receivables amounted to RM11.4 million and is largely within the Group's normal trade credit terms of up to 90 days.

Total shareholders' equity also increased to RM290.8 million in FY2017 due to higher retained earnings of RM72.4 million. Consequently, net asset per share grew to RM2.91 in FY2017.

**TOTAL SHAREHOLDERS'  
EQUITY INCREASED TO**

**RM290.8 MILLION**

**HIGHER RETAINED EARNINGS**

**OF RM72.4 MILLION**

## Management Discussion & Analysis (cont'd)

### INTERNATIONAL TIN SMELTING BUSINESS

The Butterworth international tin smelting operations achieved higher production output of 27,172 tonnes of refined tin for FY2017, up from 26,802 tonnes in the previous year mainly attributable to an increase in supply of feed materials during the year.

During the course of the year, the Group continued to work on the re-location of the smelting facility from Butterworth, Penang to Pulau Indah, Port Klang. The new production facility in Pulau Indah houses a state of the art extractive technology using the Top Submerged Lance ("TSL") furnace which employs a more comprehensive single stage continuous smelting process, enabling higher operating efficiency and lower operating expenditure while bringing about a much smaller carbon footprint for the Group.

With the TSL furnace, the management estimates that the annual production capacity can be upgraded by 50%, using oxygen enrichment of the fuel.

### LOCAL TIN MINING BUSINESS

RHT, our tin mining operations is Malaysia's biggest hard-rock open-pit mine (located in the state of Perak) and is the country's largest producer by far of tin-in concentrates.

For 2017, RHT's production volume of tin-in concentrates remained stable at approximately 2,226 tonnes as all processing plants at the mine operated at close to full capacity throughout the year treating ore material mined from the open-pit operation.

### Tin Exploration and Resource

As at 31 December 2017, RHT's estimated ore resources are tabulated below:

Resource Volume (m <sup>3</sup> )	Resource Volume (m <sup>3</sup> )	Grade (KgSn/m <sup>3</sup> )	Contained Tin (tonnes Sn)
Measured	1,475,404	2.38	3,509
Indicated	1,906,147	2.12	4,038
Inferred	13,521,023	1.71	23,077
<b>Total</b>	<b>16,902,574</b>	<b>1.81</b>	<b>30,624</b>

Out of the above total resource volume of 16,902,574 m<sup>3</sup>, about 5,303,347 m<sup>3</sup> grading an average of 2.26 KgSn/m<sup>3</sup> and containing 11,987 tonnes of tin metal resource are located within the current designed mine pit (mineable resources).



## Management Discussion & Analysis (cont'd)



### Sustainable mining programs

RHT continues to perform exploration activities of new tin mine deposits to ensure a sustainable supply of feed intake to support its smelting activities. A metallurgical test program is currently being carried out to determine the characterisation of the new tin mine deposits and to establish a proper set up for the processing plant to treat these ores.

In addition to the above program, RHT will undertake a geotechnical study followed by a pit optimisation analysis to plan for a new pit design that is safe and economically profitable. In general, the study will involve geotechnical drilling, laboratory analysis, hydrology and hydraulic analysis, and pit slope stability analysis. RHT has appointed a geotechnical consultant to conduct the entire study. The overall works is estimated to complete by the end-2018.

Upon completion of the metallurgical test and pit optimisation analysis, tin resources from the new tin mine deposits will further support the Group's future supply of tin resources.

### Developments on Sg Lembing exploration works

We have identified mineable tin ore deposits during our initial exploration works at the Sg Lembing mine. Our 80%-owned subsidiary, SL Tin Sdn. Bhd. ("SL Tin") has proposed to proceed with small-scale mining in 2018 and we are in the midst of selecting a contractor to invest and commence mining in the mining leases.

### PROSPECTS AND OUTLOOK

Prospect for tin demand is positive as more new discoveries are being made for usages of tin for different industries. While tin consumption will still largely come from the expanding consumer electronics industry in the medium term, we expect future demand to be driven by new tin applications in various technologies. The rise of tin usage in lithium-ion batteries bodes well for the Group as more automotive manufacturers push for electric vehicles.

Moving forward, the Group's focus will remain on enhancing the Group's operational and cost efficiencies with the ongoing rationalisation initiatives in order to remain competitive amid the changing business climate.

One of the Group's key initiatives is the advancement of the tin smelting technology, which is currently in progress at our new Pulau Indah Smelting plant which will boast the latest extractive technology using a Top Submerged Lance ("TSL") furnace. This would mean an initial duplication of operating expenses as the old Butterworth smelter will have to be operating in parallel with this new plant until the new installation reaches stable and steady state. The rewards will be apparent in a year or so when extraction yields, operational efficiencies and lower manpower costs follows the commissioning of the new plant. Cash flow stagnation will also be greatly reduced

PRODUCTION  
CAPACITY TO  
INCREASE BY

**50%**

## Management Discussion & Analysis (cont'd)

as the TSL employs a one stage smelting process instead of the multi-stage process of the current plant. The Group aims to develop this facility to become one of the most modern and cost-efficient tin smelters in the region.

With the smelting facility upgrade, the Group is well-positioned to leverage on the rising demand of tin and with the lower operating costs, we look forward to an enhanced profit level. We continue to explore new areas of growth while remaining focused on our cost optimisation and rationalisation exercises with the aim of creating sustainable value for our shareholders.

### **DIVIDEND**

For FY2017, the Group has declared a Final Single-Tier dividend of 4 sen, amounting to RM4.0 million. This represents a dividend payout of 25% of MSC's FY2017 net profit and is subject to shareholders' approval at the forthcoming Annual General Meeting.

While we intend to consistently reward our shareholders, our ability to pay dividends will depend upon a number of factors, such as the Group's financial performance, cash flow requirements and capital expenditure needed for potential business expansion plans.

### **ANTICIPATED RISKS**

#### **Significant changes in tin prices**

The Group is directly exposed to the risk of fluctuations in tin prices, which have been historically volatile and controlled by various factors, such as the tin demand and supply conditions, global economic environment and Government trade policies. Significant changes in tin prices may affect the feasibility of our mining and smelting operations.

The Group is taking necessary steps to mitigate this risk by entering into forward commodity contracts to act as a hedge against adverse tin price movements. As part of the Group's financial management controls, we constantly monitor the movement of tin prices and review our hedging policies.

#### **Fluctuations in foreign currency rates**

The Group is exposed to foreign currency risk arising from our business transactions and borrowings denominated in foreign currencies, primarily in United States Dollar and Singapore Dollar. As such, changes in currency rates could impact the financial performance of the Group.

To minimise our foreign currency risk, we apply natural hedging when possible as our purchases and sales are mostly transacted in United States Dollar. The residual risks are managed by entering into forward currency contracts to further reduce the risk against currency fluctuations.





## Management Discussion & Analysis (cont'd)



### Equipment efficiency

The Group's performance is dependent on the reliability and effectiveness of our operating equipment as both our mining and smelting operations are equipment-intensive. Inefficiencies in the use of equipment may result in lower extractive yield which can negatively impact the profitability of the Group.

We are currently addressing this with the ongoing upgrade of our smelting furnace with a more advanced technology, which will enhance the Group's tin recovery yield and minimise its risk. The Group is also continuously improving its maintenance practices in order to sustain the longevity of the equipment.

### CORPORATE SOCIAL RESPONSIBILITY ("CSR") AND SUSTAINABILITY

We continue to strengthen our sustainability efforts in 2017, ensuring our operations are carried out and held to high standards of practices in respect of society and the surrounding environment. The Group's commitment to sustainability practices is elaborated in our Sustainability Statement.

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.

### ACKNOWLEDGEMENTS

I would like to express my gratitude for the support our stakeholders, including our valued shareholders, clients, suppliers and business partners, have given us. I would also like to thank the management team and employees at MSC and RHT for their continuous hard work and commitment to the Group.

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

## TIN STATISTICS

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

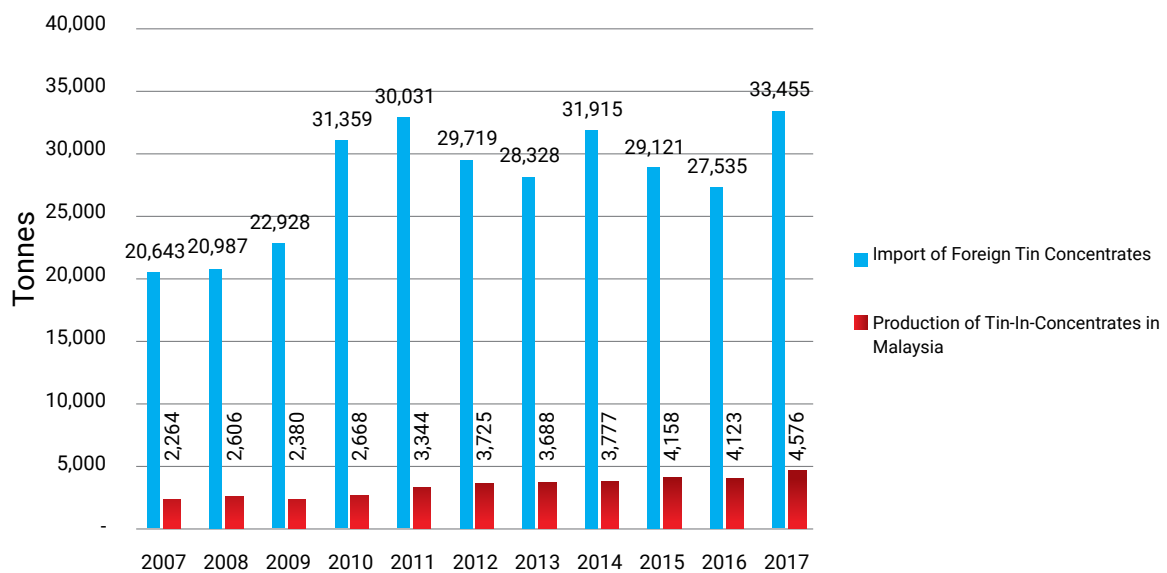
Destination	2011	2012	2013	2014	2015	2016	2017
Africa	380	181	245	242	270	145	693
Australia & New Zealand	5	6	44	-	-	-	-
China	1,325	2,755	1,590	316	587	866	848
ECC (incl. UK)	2,467	1,435	2,077	2,479	1,756	2,112	1,931
India Pakistan & Bangladesh	3,140	3,420	4,073	4,459	2,286	2,686	3,832
Japan	1,633	1,819	1,988	3,348	3,763	3,517	3,881
Middle East	687	722	261	266	313	265	503
Taiwan	1,291	1,169	1,534	1,394	1,034	1,075	1,025
Korea	7,905	6,870	7,261	7,780	6,725	5,824	1,947
Rest of Asia Pacific	180	130	-	240	273	15	76
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	5,151
	<b>20,953</b>	<b>22,317</b>	<b>23,743</b>	<b>26,114</b>	<b>22,392</b>	<b>20,605</b>	<b>19,887</b>
Malaysia							
For domestic consumption*	18,504	15,696	9,349	9,037	7,572	6,375	7,263
	<b>39,457</b>	<b>38,013</b>	<b>33,092</b>	<b>35,151</b>	<b>29,964</b>	<b>26,980</b>	<b>27,150</b>

\* Include tin deliveries to LME warehouses in Pasir Gudang and Port Kelang

## Tin Statistics (cont'd)

Production of Tin-In-Concentrates In Malaysia		Import 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	30,031
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
2017	4,576	2017	33,455

Production of Tin-In-Concentrates in Malaysia  
and Import of Tin Concentrates into Malaysia



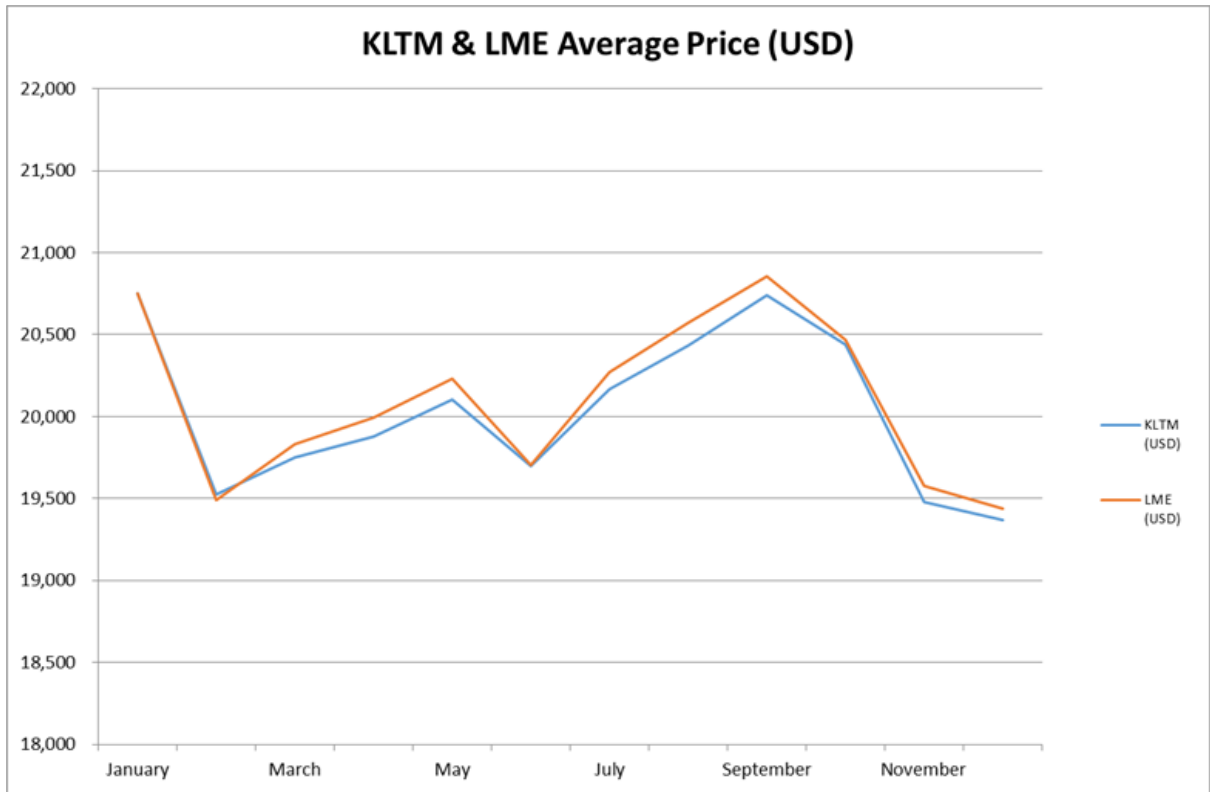
## Tin Statistics (cont'd)

	KLTM				LME 3-Month
	Highest USD per tonne	Lowest USD per tonne	Average USD per tonne	KLTM Turnover (Tonnes)	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	18,341
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
2017	21,100	18,900	20,027	8,890	19,970
<b>2017</b>					
January	21,100	19,700	20,753	722	20,692
February	19,930	18,950	19,526	658	19,486
March	20,380	19,150	19,748	744	19,768
April	20,300	19,600	19,875	687	19,942
May	20,550	19,700	20,103	744	20,081
June	20,430	19,180	19,699	625	19,547
July	20,850	19,900	20,164	711	20,079
August	20,850	20,000	20,435	774	20,387
September	20,850	20,600	20,739	722	20,657
October	20,940	19,650	20,439	780	20,275
November	19,550	19,350	19,478	923	19,450
December	19,670	18,900	19,368	800	19,342

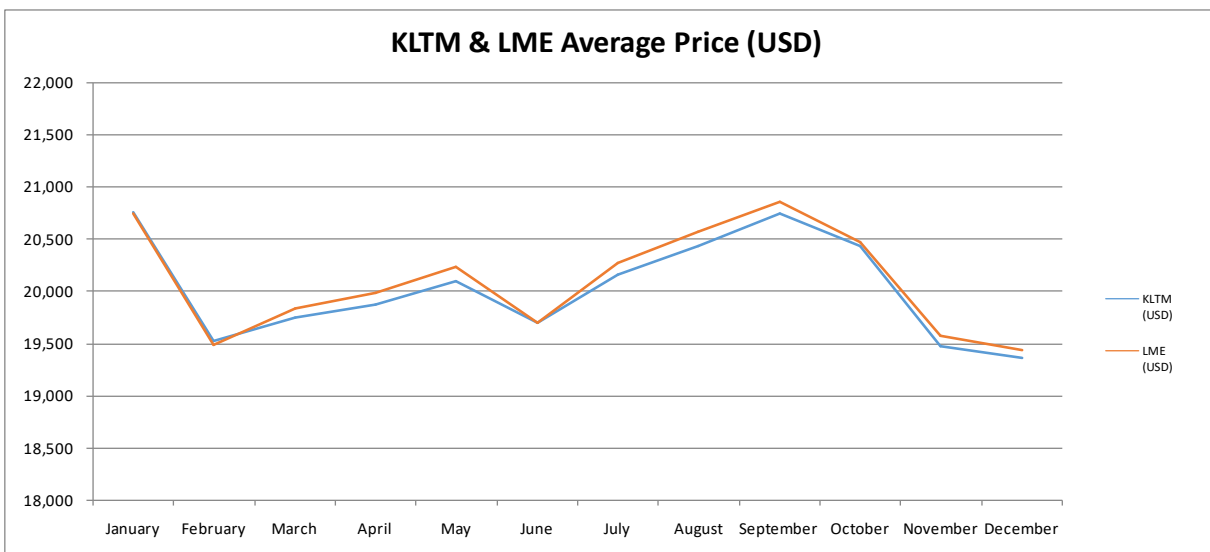


# Tin

## Statistics (cont'd)



**2017**



**2017**

## SUSTAINABILITY STATEMENT

### KEY HIGHLIGHTS 2017

At MSC, sustainability is at the heart of our operations. Respecting people and planet, whilst striving for profit, is crucial to developing a business that achieves long-term success.

We will continue to recognise our impact on the world around us and on our local communities as we aim to create an environment that values and inspires our employees, ultimately delivering value to our stakeholders.

Through this sustainability statement, we aim to provide our stakeholders with accurate and reliable information in regard to the management of economic, environmental and social aspects of the Group.



#### ENVIRONMENT

<b>100 %</b> Of water used at tin mine is recycled	<b>19 %</b> Total energy consumed is generated from renewable sources	<b>RM 5 million</b> Investment in environmental management and monitoring	<b>32 hectares</b> Of mined-out area successfully rehabilitated
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#### SOCIAL

<b>87,454 hours</b> Total training hours <i>Equivalent to 86 hours per employee</i>	<b>RM 181.0K</b> Investment in employees' training and development	<b>RM 193.5K</b> Investment in local communities	<b>95 %</b> Of tin mining employees come from local communities
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#### HEALTH AND SAFETY

<b>3.7 million hours</b> Total manhours worked	<b>11.07</b> incidents per million manhours worked  Lost Time Incident Frequency Rate (LTIFR)	<b>0</b> Fatalities in 2017
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## Sustainability Statement (cont'd)

### SUSTAINABILITY FRAMEWORK

**Integration of sustainable practices in our operations enable us to sustain the volatility of economic cycles and mitigate environmental impacts of our operations.**

Our approach to sustainability ties directly to our business objective of running a world-class integrated tin business in a sustainable way through quality operations. Our initiatives align with this purpose and extend to our sustainable business operations, workplace, supply chain and communities. We follow a framework built upon four strategic pillars and core values to support our practices, committed to achieving sustainable performance in planning for the future.

### STRATEGIC GOALS

#### VISION

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

#### MISSION

To be synonymous with creativity, value, service and quality

To be a creative organisation, caring about our employees and customers

To leverage on core competencies to focus on organic growth and strategic acquisitions

### STRATEGIC PILLARS

Local communities | Human Resources | Safety and Health | Environmental Management

### 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

#### Committed to be a conflict-free tin smelter

We are proud to participate in the International Tin Research Institute ("ITRI") Tin Supply Chain Initiatives ("iTSCi") as we adopt a policy on conflict minerals and commit to becoming a Conflict-Free Tin Smelter ("CFS").

iTSCi is a collaboration between the international tin industry (represented by ITRI) and the Tantalum-Niobium International Study Centre, of which MSC is a member. It is a traceability, tracking and due diligence programme which allows exports of conflict-free materials from Democratic Republic of Congo ("DRC") and its neighbouring countries, to enter the global supply chain.

At MSC, we abide by due diligence requirements by relevant regulations on the supply chain of tin mineral and ensure that we avoid trade in cassiterite that directly or indirectly finances or benefits armed groups in the region.

A CFS audit is carried out annually for MSC to be validated as a responsible and sustainable tin smelter. As of May 2017, MSC is once again certified as a CFS compliant smelter.

#### Embraces the "Social and Environmental License to Operate" concept

We continue to embrace the "Social and Environmental License to Operate" concept as we contribute to the development of the environment and social well-being of local communities. It is an important concept which reinforces our commitment to ethical business practices, built upon meaningful stakeholder engagement for the mutual benefit of the Group and the local population.

Socially, we focus on building trust with the community to enhance credibility and legitimacy of the Group. Engagement with members of the community, identifying and responding to their concerns is key to delivering sustainable socio-economic benefits which are in line with ethical business practices.

It is also the Group's responsibility to implement effective environmental management programmes and comply with regulations as we are aware of the impact that our operations have on the surrounding environment.

## Sustainability Statement (cont'd)

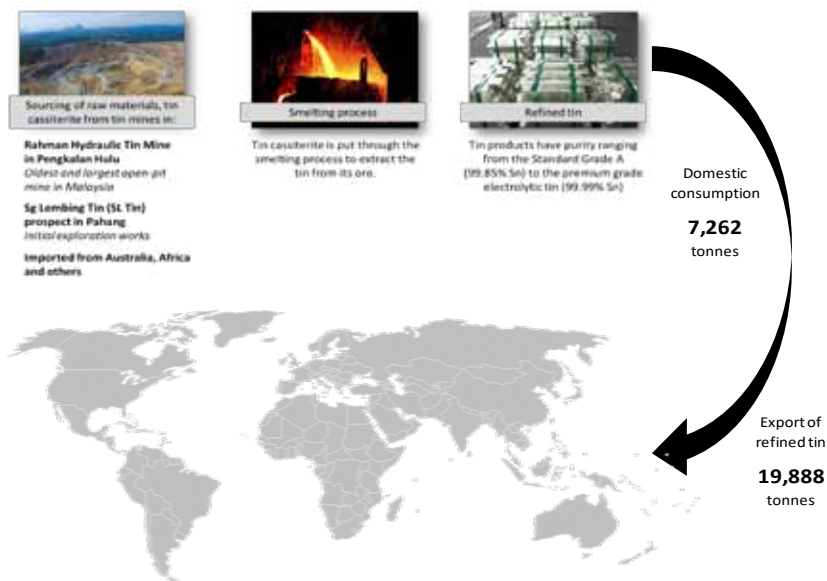
### OUR VALUE CHAIN

**As an integrated tin producer, our business encompasses the whole range of value chain from the exploration stage to mining, smelting and marketing of tin-based products. We strive to achieve a higher standard when managing both the upstream and downstream sectors of the industry.**

We source raw materials locally and from outside the country. We own and operate the oldest and largest open pit-mine in Malaysia through our subsidiary, Rahman Hydraulic Tin Sdn Bhd ("RHT") in Pengkalan Hulu, Perak. Currently, our RHT mine contributes approximately 8% of our smelter's input. In addition to the RHT mine, we have also started initial exploration activities at the Sg Lembing Tin ("SL Tin") prospect in Pahang. The Group also imports tin concentrates from outside the country such as Australia, Africa and others to ensure availability of tin ore supply.

As a business focusing on tin mining and smelting, MSC is continuously exploring ways to maximise the recovery of tin concentrate. Future exploration programs to guarantee sustainable supply of tin concentrates include a geophysical survey to investigate the occurrence of deep seated tin ore bodies and drilling program at the Western slope of RHT for the extension of current tin ore bodies.

In addition to a metallurgical study undertaken in 2017, there are also plans in the pipeline to carry out a geotechnical study for a new mine pit design to be used to mine the current and new resources until the end of the mining leases in 2030. The designing work will be utilised as a training platform for RHT engineers and geologists.



### TECHNOLOGY UPGRADE

Since 1887, MSC has grown and progressed to become a global leader in tin smelting. The existing tin smelting facility in Butterworth, Penang has been in use since 1902 and currently has a production capacity of approximately 40,000 tonnes of refined tin a year.

In 2016, MSC acquired a production facility in Pulau Indah located in Klang which houses a modern Top Submerged Lance ("TSL") furnace which was previously used for smelting lead. It is currently being retrofitted and converted for the purposes of smelting tin.

Upon completion of this, we will be the first in the world to successfully convert a lead smelter into a tin smelter. We aim to develop this facility to become one of the most advanced tin smelters in the region.



## Sustainability Statement (cont'd)

### TECHNOLOGY UPGRADE (CONT'D)

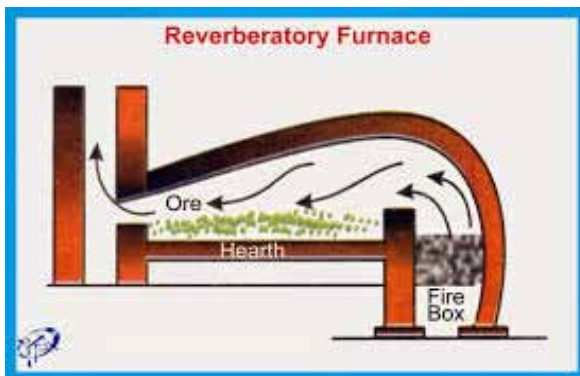
#### Traditional Reverberatory Furnace at Butterworth, Penang

The Butterworth plant uses reverberatory furnaces for multi-stage smelting process. The extraction of tin occurs at considerably high temperatures in the region of 1,350 to 1,450 degree Celsius.

During the ore smelting process, the slag produced will rise to the top whereas the tin metal, being heavier, will be tapped off from the bottom of the furnace.

The slag produced from the ore furnace will then be charged to slag furnace for further extraction of remaining tin in the slag. This process is repeated until the slag becomes discard slag which is classified as waste.

Due to the nature of this process, the amount of slag or waste generated is considerably high. This method is considered traditional and will eventually give way to newer and more efficient smelting processes as technological advancements are made.



#### Top Submerged Lance ("TSL") Furnace at Pulau Indah, Klang, Selangor

The TSL furnace, which uses the ISASMELT™ process is set to increase production capacity, improve cost and production efficiencies and minimise carbon footprint of the Group.

##### More efficient smelting process

This process has significant advantages over the reverberatory furnace as the multiples stages of smelting can be done in a single stage. One of the benefits is an increase in production capacity of up to 60,000 tonnes a year.

This is made possible by the design of the TSL furnace which is able to treat a larger volume of feed materials with oxygen enrichment while the submerged lance tip mixes the molten slag at high temperatures, increasing reaction and production rates.

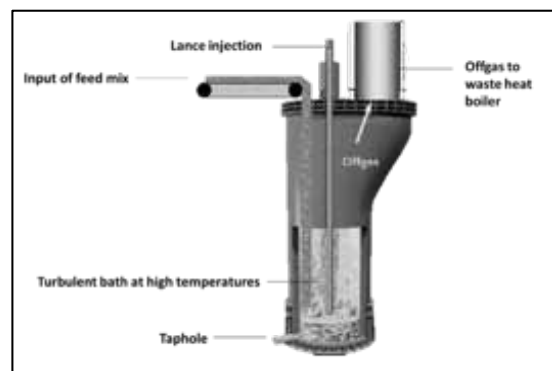
As it is just a single stage smelting process, the slag will be discarded, reducing the volume of waste generated with lower tin in discarded slag. The simplified process also enables MSC to reduce the processing time for smelting, further enhancing efficiency.

With the technology upgrade, we will also see a decrease in labour costs due to a smaller number of personnel needed for the entire smelting process using the TSL furnace. These will contribute to the Group's operational efficiencies while driving costs down.

##### Minimised carbon footprint

The ISASMELT™ technology has also proven to be more environmental-friendly with a cleaner smelting process. The furnace upgrade enables us to improve our environmental performance with the use of natural gas as fuel and at lower levels of energy intensity.

Due to higher reaction rates, the process is more energy efficient as we treat a higher volume of tin ore at higher intensities. Furthermore, the TSL furnace is equipped with a more effective gas treatment system which produces lower dust emission and off-gases.



## Sustainability Statement (cont'd)

### MATERIALITY ASSESSMENT

We understand that our business operations affect a wide range of stakeholders and have identified the material aspects which are important to them, in terms of economic, environment and social impacts. They were determined via discussions and reviewed by our senior management and teams across our group of companies whilst also taking into consideration feedback from our stakeholders.

The final list of topics which we have recognised as of significant importance to our business are listed below:

#### Economic

- Financial performance
- Sustainable procurement practices
- Corporate governance
- Fluctuation in tin metal prices
- Fluctuation in foreign exchange currencies
- International trade policies

#### Environmental

- Mining and smelting waste management
- Water management
- Energy management
- Air quality management
- Recycling of waste materials
- Rehabilitation efforts
- Environmental incidents
- Compliance of environmental laws

#### Social

- Occupational safety and health
- Employees' welfare
- Training and development
- Diversity in workplace
- Impact on the local community
- Human rights

### STAKEHOLDER ENGAGEMENT

We recognise the importance of effective engagement with stakeholders in building a sustainable business with the aim to create long-term value for them. Over the years, we have improved our stakeholder process by strategically identifying key stakeholder groups to determine which issues are most material to them. Understanding and managing our stakeholders' expectations and concerns is key to the Group's sustainability and growth.

We engage with both internal and external stakeholder groups through various channels of communication. Below, we provide a summary of key stakeholder groups and ways in which we engage with them:

Stakeholders	Engagement Methods
<b>Investors/Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Bursa announcements</li> <li>• Meetings</li> <li>• Press releases</li> <li>• Corporate website</li> <li>• Road shows / Analyst briefings</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Regular updates</li> <li>• Engagement survey</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Engagement sessions with management</li> <li>• Human Resource programmes</li> <li>• Social events</li> <li>• Sport and recreational activities</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Meet-ups with community</li> <li>• Community events</li> <li>• Charitable activities</li> </ul>
<b>Government agencies</b> (Department of Environment, Department of Safety and Health, Department of Mineral and Geoscience, Atomic Energy Licensing Board)	<ul style="list-style-type: none"> <li>• On-site inspections</li> <li>• Incident reports</li> <li>• Regular reports</li> <li>• Regular meetings</li> <li>• Events</li> </ul>
<b>Industry associations</b> (International Tin Association)	<ul style="list-style-type: none"> <li>• Open dialogues</li> <li>• Industry events</li> <li>• Interviews</li> <li>• Task force</li> </ul>
<b>Non-governmental organisations</b>	<ul style="list-style-type: none"> <li>• Site visits</li> <li>• Meetings</li> <li>• Events</li> </ul>

## Sustainability Statement (cont'd)

### ENVIRONMENTAL IMPACT

We are aware of the impact our business activities of tin mining and smelting have on the environment. As one of the world's three largest refined tin producers, it is our duty to uphold ourselves to the highest possible standards when managing the impact on our surroundings. Environmental Management is one of the strategic pillars which make up MSC's sustainability framework.

### ENERGY MANAGEMENT

Energy consumption and conservation is an important aspect of MSC's environmental management as our operations at the mines and smelters consume a significant amount of energy.

Our operations use multiple sources of energy including electricity generation through the national grid, diesel and water. In an effort to conserve energy at the mines, we try to maximise our usage of power generated by our 1.0 MW mini hydro plant, which utilises water, a source of renewable energy. To this end, we are one of the few mining companies which uses hydro plants to generate electricity.

**The mini hydro plant accounts for 19% of the Group's total energy needs.**



The introduction of the new TSL furnace at the Pulau Indah operations in Port Klang will further optimise the utilisation of electricity moving forward as it will significantly reduce the number of rounds involved in the smelting process.

Furthermore, our team at the mining operations is working closely with a leading local university to carry out metallurgical tests to improve the efficiency of our processing plants.

Committed to the conservation of energy, MSC has employed a specialist as a Certified Energy Manager to advise on matters relating to the effective and efficient usage of electrical supply at the mines. The Energy Manager analyses the energy data collected from the operations and churns out an official monthly report which is then submitted to the Energy Commission for monitoring. As part of our sustainability management planning, MSC is sending managers to be trained as Certified Energy Managers to raise the level of MSC's in-house knowledge.

### AIR QUALITY

We observe the effects that our operations have on the quality of air. As a control measure, an air pollution control system was installed in 2012 at our smelter operations to reduce particulate matter emissions into the environment.

The air pollution and quality monitoring system implemented at our smelting facility is the scrubber system, which acts as a filter for the furnace operations. At the end of each cycle of smelting, the plume generated will be channelled to the scrubber, where it will be cooled and scrubbed using water. The scrubber consists of several layers of packing and high-pressure water sprays. As a result, the amount of plume released to the atmosphere is significantly reduced with most of the pollutants in the plume scrubbed off.

In 2017, the Group invested in a new monitoring system at the smelter to ensure the pH of the scrubbing liquid is within a desirable range. We conduct regular air quality monitoring to ensure that levels are in compliance with the Department of Environment ("DOE") requirements under the Environment Quality (Clean Air) Regulations 2014.

## Sustainability Statement (cont'd)

### ENVIRONMENTAL IMPACT (CONT'D)

#### WASTE MANAGEMENT

Smelters and mines produce a substantial amount of waste, including hazardous and non-hazardous solid waste as well as wastewater effluent. The various types of waste that are produced require different systems for proper disposal of the materials.

Non-hazardous waste materials at the mine comprising tailing and process water from ore processing plants are stored or recycled within our operations while overburden waste from mine pit are disposed by hydraulic excavators and dump trucks at the waste dump located at the Southern slopes and foothill of Gunung Paku.

MSC has a scheduled waste management system which is in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the Environmental Quality Act (EQA) 1974. The process requires segregation and temporary storage of waste, clear labelling of materials and monitoring prior to removal, to ensure the prevention of contamination of the surroundings.

Types of scheduled waste generated at the mines include waste of lead acid batteries, spent lubricating and hydraulic oil, disposed contaminated containers and filters. The disposal process is closely supervised by a Competent Person in Scheduled Waste Management ("CePSWaM") registered under the DOE. In 2017, there were no incidents reported involving the spillage of hazardous waste materials.

To encourage recycling of waste, Research and Development ("R&D") efforts are underway in collaboration with a leading local university to explore the usage of slimy tailing materials for other industries. Furthermore, the new smelter in Pulau Indah, Port Klang will be equipped with a facility to carry out R&D activities for our smelting operations.

#### MINE REHABILITATION

As a responsible miner, experimental and progressive mine rehabilitation and greening works are being done when and where possible, way before the time for final mine closure. Our mining subsidiary, RHT is currently working closely with the Forest Research Institute, Malaysia ("FRIM") on experimental projects for reforestation and mine rehabilitation.

The collaboration project with FRIM covers a total area of 4 hectares involving afforestation and reforestation approach with selected high value timber species. RHT has been working with FRIM since 2011 for a 5-year collaboration project and this project is extended for another 4 years until 2020.

Apart from that, RHT has also extensively carried out greening works on the slopes of tailing bunds, river banks and waste dump through planting grasses and hydroseeding, as well as planting trees to avoid erosion and sedimentation into the nearby rivers.

**To date, MSC has successfully rehabilitated 32 hectares of the inactive and mined-out area.**





## Sustainability Statement (cont'd)

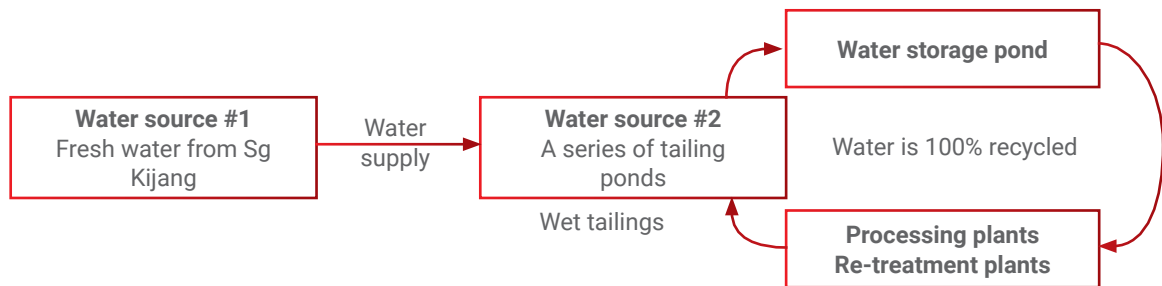
### ENVIRONMENTAL IMPACT (CONT'D)

#### WATER MANAGEMENT

Water is a vital resource in our operations. The processing and re-treatment plants at the mine require a substantial amount of water for the separation process of the ore through wet gravitational separation method.

One of the measures we have taken to promote efficient management of water is through the recycling of processed water in the tailing ponds. The water used by the plants will be recycled by pumping back clear water from the last tailing pond to the water storage pond, where the water will be re-directed to the plants for utilisation.

As shown in the diagram below, the process is a closed-circuit system linking the plants, tailing ponds and water storage ponds, making the water discharged from ore processing plants 100% recycled, with some losses of re-circulating water mainly through evaporation.



#### WATER MANAGEMENT

In 2017, our mining operations consumed over 8.9 billion gallons of recycled water while 528 million gallons, was pumped from the nearby river, Sg Kijang to the tailing ponds to make up for the losses from evapotranspiration and water seepages.

#### WATER QUALITY

We closely monitor the quality of the surrounding rivers as we understand the impact certain chemicals have on the surrounding community and biodiversity of the rivers. We practice continuous monitoring and sampling in two rivers namely Sg Kijang and Sg Kepayang, as well as other surrounding rivers to observe any environmental impact.

Daily pH monitoring for river water is conducted along Sg Kijang, including at both river exits of Kijang Dam and Kepayang Dam, where the results with photos are sent daily via e-mail to Department of Mineral and Geoscience ("DMG"). Water sampling exercises are also carried out at the rivers every fortnightly and water samples are sent to DMG's laboratory and a Skim Akreditasi Makmal Malaysia ("SAMM") accredited independent laboratory for analysis on pH and heavy metals and the results are also submitted to DMG on a fortnight basis.



As part of MSC's environmental management efforts, lime dosing operations are undertaken at multiple stations at Sg Kijang, Sg Kepayang and Sg Duri in order to neutralise the acidity of river water and to ensure the water quality of rivers exiting the mining leases are in compliance with the water quality standard prescribed in Mineral Development (Effluent) Regulations 2016 under Mineral Development Act 1994.

In 2017, there was no reported contamination of water discharged from our operations.

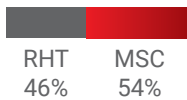
## Sustainability Statement (cont'd)

### SOCIAL IMPACT

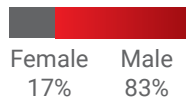
#### EMPOWERING OUR PEOPLE

Our employees are integral to the Group's success. MSC seeks to attract, develop and retain a pool of talented individuals by creating a work environment that is conducive for employees to thrive on.

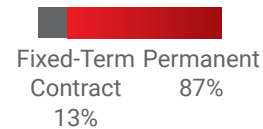
Employee breakdown by company



Employee breakdown by gender



Employee breakdown by category



As at end-2017, we employed over 1,017 people from diverse backgrounds with women comprising 17% of our total workforce. Despite the small number of women in a traditionally male-dominated industry, their contribution to the Group is equally valued. In an effort to retain talent, our human resources team closely monitor workforce trends and analyse exit interviews. By collecting information and gaining insights, we are better prepared to respond to challenges.

#### Developing talent

We understand that employees need to feel inspired and engaged in order to perform, hence it is our responsibility to provide them with the skills and support they require for personal and professional growth. We promote a culture of continuous learning to ensure that our employees have the right knowledge and skills to deliver sustainable results.

In 2017, we invested over RM180,000 for employees' training and development, where employees spent a total of 87,454 hours in training. This is equivalent to 86 hours of training received per employee during the year. The trainings provided are centred on technical on-the-job training as well as managerial skills development.

#### Rewarding talent

At MSC, we believe employees should have equal opportunity to perform regardless of background. All employees are given an annual performance review, which acts as an engagement platform for employees and senior management to give and receive feedback.

In recognition of employees' performance and commitment to the Group, we aim to build a culture where employees are valued and rewarded appropriately based on merit. Furthermore, our full-time employees also stand to enjoy incentives and benefits such as medical and insurance coverage, maternity and annual leaves, financial assistance for employees with children in tertiary education and food subsidies.



Some of the Group's workforce initiatives aimed at building relationships and promoting inclusiveness include the Excellence Performance & Long Service Awards and social gatherings such as Family Days and Annual Dinners. To cultivate teamwork, we encourage employees to keep active through social activities organised by the Sports and Recreation Club. Friendly tournaments and competition that were held in 2017 include fishing competition, futsal league, badminton and bowling tournaments. Our employees also took part in hiking trips to Gunung Baling and Gunung Kenderong and enjoyed trips to Singapore and Pulau Tioman.

## Sustainability Statement (cont'd)

### SOCIAL IMPACT (CONT'D)

#### SAFETY AND HEALTH

Our employees' safety is of high importance to us. Our aim is to minimise the incidences that could lead to injury and occupational illnesses at the workplace. The establishment of the Occupational Safety and Health ("OSH") policy has demonstrated our commitment to this end. We continuously review and improve our OSH policy, work procedures and safety programmes with the objective of ensuring that the business activities performed are in a manner that protect the wellbeing of our employees, contractors and visitors. Compliance with OSH standards is a key element in ensuring sustainable mining and smelting practices.

Every employee is entrusted to take ownership in upholding the highest standards of safety. It is imperative that we communicate our OSH policy to employees within our operations for them to develop greater OSH understanding, sense of awareness and accountability.



We have a dedicated Safety and Health Committee to oversee proper implementation and communication of the OSH policy at both the smelters and mines consisting 20 employees and 27 employees, respectively.

We have also established an Emergency Response Team with the strength of over 30 employees at the smelting operations, dedicated to enhancing the Group's preparedness in an emergency. Safety training sessions attended by our employees in 2017 include courses on advanced first aid, forklift training, basic defensive driving and chemical handling.

At the mines, we provide an equipped workplace to ensure the safety of our workers with the provision of suitable personal protective equipment, employees' quarters, first aid facilities and designated resting and eating areas.

A total of 3.7 million manhours worked were recorded in 2017, with a total of 41 Lost Time Injury ("LTI") cases. This translates to a Lost Time Injury Frequency Rate ("LTIFR") of 11.1 LTIs per million hours worked. There were no serious injuries or fatalities reported in 2017.



## Sustainability Statement (cont'd)

### SOCIAL IMPACT (CONT'D)

#### GIVING BACK TO THE LOCAL COMMUNITY

We are committed to giving back to the surrounding communities where we operate in. We adopt a collaborative approach when it comes to engaging with local communities to develop meaningful relationships and create lasting mutual benefits. With a deeper understanding of expectations and concerns, the Group is better prepared to assess social impact and address critical issues.

#### Socio-economic growth

We aim to create a sustainable future for the local communities. One way is to encourage participation of local communities in the Group's value chain via cooperation with local businessmen as well as creation of job opportunities for locals. MSC has been a significant employer at Butterworth since the commencement of our smelting operations over 100 years ago.

In 2017, our mining subsidiary, RHT, which is located in Pengkalan Hulu, procured goods and services from 47 local business partners, representing 10% of RHT's business partners.

We also employ 95% of locals in our workforce throughout the mining value chain, which further demonstrates our commitment to creating sustainable value in the local community.

We aim to improve community well-being and lifestyle through contributions to various charitable organisations, welfare establishments and sponsorships of community events.



**During 2017, the Group contributed over RM193,500 to local social development and community engagement events.**

RM40,000 was dedicated for education by providing industrial training, educational visits for students from community schools, welfare assistance, upgrading of school facilities and computer laboratory and the development of an urban community library.



## CONFLICT FREE SMELTER (CFS) AUDIT REPORT 2017

MSC is fully committed to meeting the requirement of EICC, 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 remained committed to the responsible sourcing of minerals in Central Africa by supporting the expansion of ITSCI in Katanga province, Maniema, North Kivu and South Kivu. MSC continued to reach out to all the stakeholders in the tin supply chain to promote due diligence activities. The successful implementation of the ITSCI program has spurred more ASM activities which are vital for the socio-economic growth of the communities who are dependent 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. Malaysia Smelting Corporation (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. 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 processes.

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).
2. Promote and support processes and schemes that legitimize 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's commitment to social responsibility and sustainability:

1. MSC expects all our suppliers to exercise due diligence on its supply chain in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and to determine the source of any Conflict Minerals or Conflict Mineral containing product supplied to MSC.
2. MSC expects all of our suppliers to adopt the following measures to improve the due diligence and reduce the risk of irregularities in chain of custody or traceability information:
  - Continue to cooperate with suppliers to increase information accuracy, leading to RMI compliance,
  - Encourage others to participate in RMI to achieve conflict-free certification,
  - Create awareness among its suppliers on conflict mineral policies to enhance traceability and responsible sourcing practices.
3. MSC expects our suppliers to inform us if the consignments to MSC contains Conflict Minerals originating in the DRC or surrounding countries.
4. Suppliers who are not able to provide adequate information about the source of any Conflict Minerals in the products supplied to MSC or that supply products containing Conflict Minerals from the DRC or surrounding countries shall be prohibited from continuing their future business with MSC.

## Conflict Free Smelter (CFS) Audit Report 2017 (cont'd)

MSC had successfully completed the annual Conflict-Free Smelter audit and has been certified as a CFS compliant smelter in 2017. The next audit has been slated for May 2018. MSC is committed to be validated as a responsible and sustainable tin smelter under the Conflict-Free Smelter (CFS) program for 2018. This underscores its commitment to source conflict free feed materials from the DRC and the adjoining countries. MSC will continue to spearhead initiatives to improve the CFS Program or Responsible Minerals Initiative Program to bring about greater clarity and transparency in the risk assessment, auditing guidelines and the technical content of the auditing reference documents. As a certified Conflict Free Smelter, MSC will continue to subscribe to the iTSCi due diligence program 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 reports, mine visit reports and baseline reports. MSC will continue to enhance the due diligence platform in its business going forward. As responsible sourcing and transparency in supply chain continues to dominate International Conferences, MSC ensures it is represented in such events to stay abreast with changes.



# STATEMENT ON CORPORATE GOVERNANCE

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

The Board upholds the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2017 (the “MCCG 2017” or the “Code”). This statement sets out how the Company has applied the three key Principles of good corporate governance as enumerated in the MCCG 2017 during the financial year within Malaysia Smelting Corporation Berhad (the “Company”) and its subsidiaries (the “Group”). Where a specific practice of the MCCG 2017 has not been observed during the financial year under review, the non-observation, including the reasons thereof, is included in this statement.

This statement is prepared in compliance with the MCCG 2017 and the Bursa Malaysia Securities Main Market Listing Requirements and should be read together with the CG Report 2017 of the Company which provides details on how the Company applied each Practice as set out in the MCCG 2017 during the financial year 2017. The Company’s CG Report 2017 is available on the Company’s website, [www.msmelt.com](http://www.msmelt.com)

## A. BOARD LEADERSHIP AND EFFECTIVENESS

### 1. BOARD RESPONSIBILITIES

#### 1.1 Strategic Aims, Values and Standards

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 promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior;
- 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 review management proposals 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 & Risk Committee and Nominating & 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.

## Statement on Corporate Governance (cont'd)

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### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 1. BOARD RESPONSIBILITIES (CONT'D)

##### 1.1 Strategic Aims, Values and Standards (cont'd)

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

The salient features of the Board Charter and Code of Ethics can be found at the Company's website at [www.msmelt.com](http://www.msmelt.com).

The Company had also put in place a whistle-blowing policy which allows the whistle-blower to raise concerns about actual or potential corporate fraud or breach of ethics involving employees, Senior Management or Directors of the Group. Whistle-blowing reports are addressed to Designated Officers of the Group, namely Internal Auditor, Company Secretary, 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.

##### 1.2 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, 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's organisation.

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## Statement on Corporate Governance (cont'd)

### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 1. BOARD RESPONSIBILITIES (CONT'D)

##### 1.3 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 Sustainability Statement is disclosed on pages 34 to 44 of this Annual Report .

##### 1.4 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. The 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. Minutes of Board and Board Committee's meeting are circulated in a timely manner for review.

#### 2. BOARD COMPOSITION

##### 2.1 Board of Directors

As at the date of this Statement, the Board comprises six (6) members, all Non-Executive Directors, five (5) of whom are Independent. 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.

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.

## Statement on Corporate Governance (cont'd)

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### 2. BOARD COMPOSITION (CONT'D)

#### 2.1 Board of Directors (cont'd)

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 14 to 16 of this Annual Report.

#### 2.2 Tenure of Independent Director

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

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. This unwritten policy serves as a guide in limiting the tenure of the independent director to 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.

#### 2.3 Diversity of Board and Senior Management Team

The appointment of Board and Senior Management are based on their merit, skill and working experience and besides gender diversity, due regard are placed for diversity in terms of skills, experience, age and cultural background.

Please refer to the Profile of Directors and Senior Management team on pages 14 to 16 and 17 to 21 respectively for further information.

#### 2.4 Nominating & Remuneration Committee

The Nominating Committee and Remuneration Committee were combined as a single committee, namely Nominating & Remuneration Committee on 4 April 2016. The chairman of the Nominating & Remuneration Committee is Mr. Chia Chee Ming, Timothy, the Senior Independent Director of the Company. The Committee is primarily responsible to advise the Board on the nomination of new Board members and/or Board member 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 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 members of Board Committees as well as identifying suitable training programmes for the Board. It also recommends to the Board on the remuneration policy and framework, performance measures criteria and proposes to the Board on the remuneration of the directors and senior management (ie General Manager and above).

The Terms of Reference of the Nominating & Remuneration Committee is set out in the Board Charter which is available on the Company's website at [www.msmelt.com](http://www.msmelt.com).

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## Statement on Corporate Governance (cont'd)

### 2. BOARD COMPOSITION (CONT'D)

#### 2.5 Recruitment Process and Annual Assessment of Directors

In discharging its responsibilities, the Nominating & Remuneration 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 & Remuneration 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 & Remuneration 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 new 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 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.

Furthermore, the Nominating & Remuneration 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 assessment of the independence of Independent Directors is in accordance with the criteria as set out in the Bursa Malaysia Main Market Listing Requirements.

The following is the record of attendance of the members of the Board:

Directors	No. of meetings attended
1. Ms. Chew Gek Khim	5/5
2. Mr. Chia Chee Ming, Timothy	5/5
3. Dato' Ng Jui Sia	5/5
4. Dato' Robert Teo Keng Tuan*	3/3
5. Mr. Yap Chee Keong	5/5
6. Mr. John Mathew A/L Mathai	4/5

## Statement on Corporate Governance (cont'd)

### 2. BOARD COMPOSITION (CONT'D)

#### 2.6 Board Committees

The Board Committees are as follows:

- (i) Audit Committee
- (ii) Nominating & Remuneration Committee

The following are the record of attendance for the Board Committees' Meetings held in year 2017:

- (i) Audit Committee

Directors	No. of meetings attended
1. Dato' Robert Teo Keng Tuan*	2/2
2. Dato' Ng Jui Sia	5/5
3. Mr. Yap Chee Keong	4/5

- (ii) Nominating & Remuneration Committee

Directors	No. of meetings attended
1. Mr. Chia Chee Ming, Timothy	2/2
2. Ms. Chew Gek Khim	2/2
3. Mr. John Mathew A/L Mathai	2/2

\* Dato' Robert Teo Keng Tuan is appointed as a director and member/chairman of Audit Committee of the Company on 17 May 2017.

The Board is satisfied with the time commitment given by the Directors. All directors do not hold more than 5 directorships as required under paragraph 15.06 of the Listing Requirements.

All existing directors have attended the Mandatory Accreditation Programme as required by the Listing Requirements. During the course of the year, they have also attended other training programme and seminar on areas that include the following:

- i. Ms. Chew Gek Khim

Date	Organiser	Title of Training Programme
18 April 2017	Gateway Partners	Inaugural Annual Investor Forum
3 May 2017	Nanyang Technological University	Singapore Sustainability Symposium
19 May 2017	Bain & Company SE Asia	Private breakfast session
27 May 2017	ShareInvestor Pte Ltd	Guest-of-Honor for REITs Symposium 2017
7 to 9 June 2017	The Compass Family Office Group	Singapore Conference 2017
14 August 2017	Wong Partnership	"Recent changes to the Companies Act and SGX Listing Rules"
15 August 2017	Berkeley's 2017 EMBA Class	Guest Speaking to University of California



## Statement on Corporate Governance (cont'd)

### 2. BOARD COMPOSITION (CONT'D)

#### 2.6 Board Committees (cont'd)

##### i. Ms. Chew Gek Khim (cont'd)

Date	Organiser	Title of Training Programme
26 August 2017	National University of Singapore	Attend A Master Class - Predicting Behaviour, Reading Minds and Understanding Ourselves by Asst Prof Christopher Asplund
12 September 2017	Singapore Institute of Directors	SID Directors' Conference 2017
22 September 2017	International Women's Forum (Singapore)	Dialogue with IWF Women
30 October 2017	IHH Healthcare	FutureHealth, Now: CEO Breakfast Series

##### ii. Mr. Chia Chee Ming, Timothy

Date	Organiser	Title of Training Programme
23 February 2017	Singapore Power Ltd and World Energy Council	Cyber Security – Building Defences for the New Battlefield
14 August 2017	The Straits Trading Co Ltd	Recent changes to the Companies Act & SGX Listing Rules by Wong Partnership
12 September 2017	Singapore Institute of Directors	SID Directors' Conference 2017 - The Sustainability Imperative. A Multifaceted, Mindshifting Look at Money and Meaning in the New Capitalism
20 September 2017	Singapore Institute of Directors	Cyber Security for Directors
12 October 2017	Singapore Institute of Directors	SID Remuneration Committee Chairmen Conversation

##### iii. Dato' Ng Jui Sia

He did not attend any training for the year 2017.

## Statement on Corporate Governance (cont'd)

### 2. BOARD COMPOSITION (CONT'D)

#### 2.6 Board Committees (cont'd)

iv Dato' Robert Teo Keng Tuan

Date	Organiser	Title of Training Programme
27 April 2017	Malaysian Institute of Accountants (MIA)	A Half Day Programme - THE COMPANIES ACT 2016: An Overview and its Significant Impact on Auditors
25 & 26 July 2017	Lembaga Hasil Dalam Negeri Malaysia (LHDN), Chartered Tax Institute of Malaysia (CTIM)	National Tax Conference 2017
02 October 2017	Bursa Malaysia	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
09 October 2017	Institute of Internal Auditors Malaysia	2017 National Conference - AC Leadership Track
13 October 2017	Bursa Malaysia	CG Breakfast Series for Directors: "Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World"
20 & 21 November 2017	Malaysian Institute of Accountants (MIA)	Audit Series: Workshop 5 - Auditing of Property Developers and Contractors
24 November 2017	Malaysian Institute of Accountants (MIA)	Integrated Reporting Breakfast Talk
05 December 2017	Chartered Tax Institute Of Malaysia	2018 Budget Seminar
11 December 2017	Malaysian Institute of Accountants (MIA)	Complimentary Talk on Effective Ways to Improve Performance and Results for Internal Auditor

v Mr. Yap Chee Keong

Date	Organiser	Title of Training Programme
4 July 2017	TMS Academy	Driving For Performance from the Board
12 September 2017	Singapore Institute of Directors	SID Directors Conference - The Sustainability Imperative
10 October 2017	Human Capital Leadership Institute	Creating a Purpose Driven Organisation

## Statement on Corporate Governance (cont'd)

### 2. BOARD COMPOSITION (CONT'D)

#### 2.6 Board Committees (cont'd)

vi Mr. John Mathew A/L Mathai

Date	Organiser	Title of Training Programme
23 May 2017	Christopher & Lee Ong	Land Law & Indefeasibility – The Emerging Concept of title void ab initio (at its inception): Purchaser Beware!
7 June 2017	Christopher & Lee Ong	The Proposed Amendments on the Bankruptcy Act 1967 – Where does it take us?
26 August 2017	Asian Legal Business	In House Legal Summit – Companies Act 2016-Key Changes and Actions to be Taken
13 September 2017	Christopher & Lee Ong	Execution of Monetary Judgments

### 3. REMUNERATION

#### 3.1 Remuneration Policy

The Company has adopted a Directors' Remuneration Policy on 24 February 2017 and it sets out to provide remuneration principles and guidelines for the Non-Executive Directors and Executive Directors of the Company.

Futhermore, the Board in deciding, the appropriate level of fees of each Non-Executive Director, 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. In deciding the remuneration for senior management, the Board takes into consideration the skills, qualification and working experience of the senior management.

## Statement on Corporate Governance (cont'd)

### 3. REMUNERATION (CONT'D)

#### 3.2 Details of Directors' Remuneration

The details of the remuneration of Directors of the Company comprising remuneration received from the Company and a subsidiary for the financial year ended 31 December 2017 are as follows:

Name of Directors	Fees (RM)	Salaries (RM)	Allowance (RM)	Benefits in kind (RM)	Other emoluments (RM)	Total (RM)
Ms. Chew Gek Khim	84,000.00	-	16,000.00	-	-	100,000.00
Mr. Chia Chee Ming, Timothy	71,168.49	-	15,000.00	-	-	86,168.49
Dato' Ng Jui Sia	70,367.12	-	22,000.00	-	-	92,367.12
Dato' Robert Teo Keng Tuan	53,956.16	-	10,000.00	-	-	63,956.16
Mr. Yap Chee Keong	68,000.00	-	17,000.00	-	-	85,000.00
Mr. John Mathew A/L Mathai	60,084.93	-	14,000.00	-	-	74,084.93
Mr. Peter Ho Kok Wai*	30,071.23	-	6,000.00	-	-	36,071.23

\* Resigned as Audit Committee chairman on 26.04.2017 and from the Board on 17.05.2017.

The Directors' fees are subject to the approval of the shareholders of the Company.

#### 3.3 Remuneration of Top Five Senior Management

The remuneration of the top five senior management team of the Company is as follows:

Range of Remuneration (RM)	No of Top Five Senior Management
1,700,000 – 1,750,000	1
650,001 - 700,000	1
600,000 - 650,000	1
500,000 - 550,000	1
400,000 - 450,000	1
TOTAL	5

The disclosure of top five senior management's remuneration component in bands width of RM50,000 but not on named basis is due to confidentiality & sensitivity of each remuneration package.

## Statement on Corporate Governance (cont'd)

### B. EFFECTIVE AUDIT AND RISK MANAGEMENT

#### 4. AUDIT COMMITTEE

The chairman of the Audit Committee is Dato' Robert Teo Keng Tuan, an independent director of the Company.

On the composition and terms of reference of the Audit Committee, please refer to the Audit Committee Report on pages 60 to 62 for further information.

#### 5. 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 2017. 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.

#### 6. EFFECTIVE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROLS

Recognising the importance of risk management and internal controls, the Board has in past years formalised a structured risk management and internal control 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. The Company has also appointed KPMG Mgmt. & Risk Consulting Sdn Bhd as the service provider for Enterprise Risk Management Update for the Group for financial year 2017.

In line with the MCGG 2017 and the Bursa's Main Market Listing Requirements, the Board has an independent Internal Audit function which is led by Mr. Yoon Choon Kong, the Internal Auditor who reports directly to the Audit Committee. Mr. Yoon Choon Kong is an associate member of the Institute of Internal Auditors Malaysia and a certified Lead Auditor, National Registration Scheme for Lead Assessors of Quality Systems. He is supported by 3 staff in the Internal Audit Division and he does not have any conflict of interests with the Company.

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 on pages 63 to 66 of this Annual Report.



## Statement on Corporate Governance (cont'd)

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### C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### 7. COMMUNICATION AND ENGAGEMENT WITH STAKEHOLDERS

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](http://www.msmelt.com) where shareholders can access corporate information, annual reports, press releases, financial information, company announcements, share prices and social responsibility reporting.

#### 8. CONDUCT OF GENERAL MEETINGS

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, the 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 in the presence of all directors, 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 eight (28) 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 be 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.

This Statement is made in accordance with the resolution of the Board of Directors dated 10 April 2018.

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## 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 2017.

### 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 2017 are as follows:

	The Company (RM)	The Group (RM)
Audit Fees	460,000	590,000
Non-Audit Fees	70,000	70,000

### 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 2017.

### 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](http://www.msmelt.com).

### COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee of the Company is currently composed of three (3) Independent Non-Executive Directors and their record of attendance are as follows:

<b>Present Members</b>	<b>No. of meetings attended</b>
Dato' Robert Teo Keng Tuan Chairman, Independent Non-Executive Director (Appointed as Chairman/member on 17 May 2017)	*2/2
Dato' Ng Jui Sia Member, Independent Non-Executive Director	5/5
Mr. Yap Chee Keong Member, Independent Non-Executive Director	4/5
<b>Past Members</b>	<b>No. of meetings attended</b>
Mr. Peter Ho Kok Wai Chairman, Independent Non-Executive Director (Resigned as Chairman/member on 26 April 2017)	2/2
Mr. John Mathew A/L Mathai Member, Independent Non-Executive Director (Appointed as member on 26 April 2017 and resigned as member on 17 May 2017)	1/1

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 14 to 16 of this Annual Report.

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

The meetings were appropriately structured through the use of agenda and meeting papers, which contained sufficient information, were distributed to members with proper notification in writing.

The Company Secretary, as the secretary of the Committee, was present at all meetings. Representatives of the External Auditors, Messrs Ernst & Young, the Internal Auditor, as well as the Chief Executive Officer ("CEO"), Group Chief Financial Officer ("GCFO") and other Senior Management staff also attended the meetings, where appropriate, upon invitation of the Committee.

## Audit Committee Report (cont'd)

### TRAINING AND CONTINUOUS ENGAGEMENT

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 55 of this Annual Report.

During the financial year, the chairman of the Committee 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:
  1. Scope of work and audit plan for the financial year prior to the commencement of audit fieldwork; and
  2. 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 2016. 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 which the External Auditors wished to discuss with the Committee;
- 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 RM70,000 were paid/ payable 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 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;

## Audit Committee Report (cont'd)

- 
- 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 Internal Auditor, 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 work 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 Internal Auditor 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 2017 was RM906,000.

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 63 to 66 of this Annual Report.

This Report is made in accordance with the resolution of the Board of Directors dated 10 April 2018.

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# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) requires the board of directors 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 of Directors (the “Board”) of Malaysia Smelting Corporation Berhad (the “Company”) is committed to maintaining an effective system of risk management and internal control in Malaysia Smelting Corporation Berhad and its subsidiaries (collectively referred to as 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 system of the Group during the financial year ended 31 December 2017.

For the purpose of disclosure, the Board has taken into consideration the enumerations encapsulated in the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (the “Guidelines”), a publication endorsed by Bursa Malaysia Securities Berhad pursuant to Paragraph 15.26(b) of the Listing Requirements.

## Board’s Responsibility

The Board acknowledges its responsibility for maintaining as well as reviewing the adequacy and integrity of the risk management and internal control system to safeguard its shareholders’ investment and other stakeholders’ interests. The system of internal control covers not only financial controls but also non-financial controls such as operational and compliance controls and risk management procedures.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage risks within tolerable and knowledgeable limits, 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.

In evaluating the adequacy of the Group’s system of risk management and internal control, the Board is assisted by the Audit Committee which comprises a majority of Independent Directors. Notwithstanding the delegated responsibilities, the Board acknowledges its overall responsibility in the establishment and oversight of the Group’s risk management and internal control system.

The Board affirms that there is an on-going process for identifying, evaluating, managing, monitoring and reporting significant risks faced by the Group. The Board, through its Audit Committee, regularly reviews the results of this process, including mitigation 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.

## Risk Management

The Board is guided by Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance which calls for the establishment of an effective risk management and internal control framework and the disclosure thereof.

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 and procedures set by the Board. Further assurance is provided by the Internal Audit function, which operates across the Group.

## Statement on Risk Management and Internal Control (cont'd)

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### Risk Management (cont'd)

The Board believes that maintaining an effective risk management and internal control system is premised on 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 – ensure that there is a sound framework for internal controls and risk management;
  - 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
  - Business/division heads – to review the risk profiles and performance of business units and reports to the GRMSC.
- 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 five (5) business/division heads. The results of these assessments and management action plans to manage critical risks were reported by the heads 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 individual risk profiles and risk registers. For each principal risk, the assessment process considers the potential likelihood of occurrence and magnitude, 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 have taken and/or are 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 the acceptability of risk exposures;
- 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. The action plans include the utilization of internal audit procedures, as discussed in further detail below.

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

### Internal Audit Function

The Group has in place an adequately resourced and an independent in-house Internal Audit function, which reports directly and provides assurance to Audit Committee on the adequacy and effectiveness of risk management, internal control and governance systems. In carrying out its activities, the Internal Audit function has unrestricted access to the relevant records, personnel and physical properties.

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 system 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.

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## Statement on Risk Management and Internal Control (cont'd)

### Internal Audit Function (cont'd)

Further details of the work undertaken by the Internal Audit function are set out in the Audit Committee Report on pages 60 to 62 of this Annual Report as well as the Corporate Governance Report of Malaysia Smelting Corporation Berhad which is made available via an announcement on the website of Bursa Malaysia Securities Berhad.

### Internal Control

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

#### (a) *Code of Ethics and Whistleblowing Policy and Procedures*

- The Board is responsible for setting the ethical tone of the Group and engendering a healthy corporate culture. A Code of Ethics has been put in place to set out the standards of ethics and conduct expected from its Directors and employees to enhance the standards of corporate governance and corporate behaviour. The Code of Ethics covers all aspects of the Group's business which include, amongst others, confidentiality of information, dealings in securities, conflict of interest, gifts, bribes and dishonest conducts.
- The Board has formalised a set of Whistleblowing Policy and Procedures to provide avenues for stakeholders of the Group to raise legitimate concerns relating to potential breaches of legislation malpractices in an objective manner without fear of reprisal.

#### (b) *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 subsidiaries. In designing and implementing these limits of authority structures and systems, the Group is guided by the principle that no one individual should have unfettered powers.

#### (c) *Written Policies and Procedures*

- The establishment of policies and procedures on health and safety, training and development, equal employment opportunities, human opportunities, staff performance and handling misconducts; 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.

#### (d) *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 reports, 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;

## Statement on Risk Management and Internal Control (cont'd)

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### Internal Control (cont'd)

The key elements of the Group's internal control system are described below: (cont'd)

(d) *Planning, Monitoring and Reporting (cont'd)*

- 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.

(e) *Insurance*

- Insurance and physical safeguards over major assets are in place to ensure that the assets of the Group are covered against any mishaps that may result in material losses to the Group. The insurance coverage is reviewed at regular intervals to ensure its adequacy vis-à-vis the Group's risk appetite.

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 evaluates 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 external and internal auditors, as well as the Board's 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 remain committed to strengthening the Group's control environment and processes. Ongoing measures 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 Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention which caused them to believe that the Statement intended to be included in the Annual Report of the Company was not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate. The review of this Statement by external auditors was performed in accordance with the scope set out in Audit and Assurance Practice Guides 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants.

This Statement is made in accordance with the resolution of the Board of Directors dated 10 April 2018.

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# Financial Statements



## STATEMENT OF RESPONSIBILITY BY DIRECTORS

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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 2016 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 2017 and of their financial performance and cash flows for the financial year ended 31 December 2017.

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 27 March 2018.

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# DIRECTORS' REPORT

## 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 2017.

## 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 are tin mining, tin warehousing, property holding and rental, investment holding and smelting of non-ferrous metals. Other information relating to the subsidiaries are disclosed in Note 18 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit net of tax	<b>16,104</b>	<b>30,310</b>
Profit attributable to:		
Owners of the Company	16,105	30,310
Non-controlling interests	(1)	-
	<b>16,104</b>	<b>30,310</b>

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

The amount of dividend paid by the Company since 31 December 2016 was as follows:

	RM'000
Final single-tier dividend of RM0.08 per share on 100,000,000 ordinary shares, declared on 21 April 2017 and paid on 11 July 2017	<b>8,000</b>

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a first and final single-tier dividend of RM0.04 per share amounting to RM4,000,000 for the financial year ended 31 December 2017.

The financial statements for the financial year ended 31 December 2017 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 2018.

## Directors' Report (cont'd)

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### 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	(Chairman)
Dato' Ng Jui Sia*	
Mr. John Mathew a/l Mathai	
Mr. Yap Chee Keong*	
Mr. Chia Chee Ming, Timothy	
Dato' Robert Teo Keng Tuan*	(Appointed on 17 May 2017)
Mr. Peter Ho Kok Wai	(Resigned on 17 May 2017)

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

In accordance with Article 101 of the Articles of Association of the Company, Mr. John Mathew a/l Mathai retires by rotation at the forthcoming Annual General Meeting and being eligible offer himself for re-election.

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

In accordance with Article 106 of the Articles of Association of the Company, Dato' Robert Teo Keng Tuan retires at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

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:

Ms. Chew Gek Khim	
Dato' Ng Jui Sia	
Mr. John Mathew a/l Mathai	
Mr. Yap Chee Keong	
Mr. Chia Chee Ming, Timothy	
Dato' Dr. Ir. Patrick Yong Mian Thong	
Mr. Lee Hock Chye	
Mr. Madzlan Bin Zam	
Dato' Abdul Aziz Bin Mohamed	
(Alternate: Dato' Hj Mohd Abdah Bin Mohd Alif)	
Mr. Najib Jaafar	
Dato' Robert Teo Keng Tuan	(Appointed on 17 May 2017)
Mr. Raveentiran a/l Krishnan	(Appointed on 12 December 2017)
Mr. Aldric Tan Jee Wei	(Appointed on 31 January 2018)
Mr. Peter Ho Kok Wai	(Resigned on 17 May 2017)
Mr. Au Soon Yong	(Resigned on 12 December 2017)
Ms. Maggie Yeo Sock Koon	(Resigned on 31 January 2018)

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## Directors' Report (cont'd)

### 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 below) 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.

The directors' benefits are as follows :

	Group RM'000	Company RM'000
Fees	633	538
Insurance effected to indemnify directors *	77	77
	710	615

### INDEMNITIES OF DIRECTORS OR OFFICERS

During the financial year, the directors and officers of the Group and of the Company are covered under the Directors & Officers Management Liability Insurance ("D&O Insurance") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, the directors and officers of the Group and of the Company subject to the terms of the D&O Insurance. The total insured limit of D&O Insurance effected for the directors and officers of the Group and of the Company was RM40 million in any one claim and in the aggregate for all claims (including deference costs). Expenses incurred on indemnity given or insurance effected for any director and officer of the Group and of the Company during the financial year amounted to RM77,000.\*

### 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 →			31 December 2017
	1 January 2017	Bought	Sold	
<b>Ultimate holding company</b>				
<b>Tan Chin Tuan Pte. Ltd.</b>				
<b>Direct interest</b>				
Ms. Chew Gek Khim	92,478,922	-	-	92,478,922
<b>Immediate holding company</b>				
<b>The Straits Trading Company Limited</b>				
<b>Direct interest</b>				
Ms. Chew Gek Khim	41,200	-	-	41,200
Mr. Chia Chee Ming, Timothy	3,900	-	-	3,900

## Directors' Report (cont'd)

### DIRECTORS' INTERESTS (CONT'D)

	← Number of ordinary shares →			31 December 2017
	1 January 2017/ Date of appointment	Bought	Sold	
<b>The Company</b>				
<b>Direct interest</b>				
Ms. Chew Gek Khim	400,000	–	–	400,000
Dato' Ng Jui Sia	–	6,000	–	6,000
<b>Deemed interest</b>				
Dato' Robert Teo Keng Tuan	–	8,000	–	8,000

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.

### HOLDING COMPANIES

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. The penultimate holding and ultimate holding companies of the Company are The Cairns Pte. Ltd. and Tan Chin Tuan Pte.Ltd. respectively, both of which are private limited liability companies incorporated in Singapore.

### 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.
- (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.



## Directors' Report (cont'd)

### OTHER STATUTORY INFORMATION (CONT'D)

- (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.

### AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young	590	460
Other auditors	9	–
	599	460

### INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the board in accordance with a resolution of the directors dated 27 March 2018.

**Chew Gek Khim**

**Dato' Robert Teo Keng Tuan**

## STATEMENT BY DIRECTORS

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

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We, Chew Gek Khim and Dato' Robert Teo Keng Tuan, 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 80 to 182 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the board in accordance with a resolution of the directors dated 27 March 2018.

**Chew Gek Khim**

**Dato' Robert Teo Keng Tuan**

## STATUTORY DECLARATION

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

I, Tevanaigam Randy Chitty, 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 80 to 182 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared  
by the abovenamed Tevanaigam Randy Chitty  
at Petaling Jaya in the State of Selangor  
on 27 March 2018

**Tevanaigam Randy Chitty**

Before me,

**Lawrence Low (B484)**  
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 2017 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 80 to 182.

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 2017, 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 2016 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.

## Independent Auditors' Report (cont'd) to the members of Malaysia Smelting Corporation Berhad (Incorporated in Malaysia)

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### *Key audit matters (cont'd)*

#### *Inventories*

The Company contracts with various suppliers on different terms and conditions for the purchases of tin-in-concentrates. The timing of recognition of tin-in-concentrates is dependent on the terms of the contracts. Given the high number of different purchase contracts, we identified timing of recognition of tin-in-concentrates to be an area of focus.

In addition, we also identified valuation of tin-in-concentrates, tin-in-process and refined tin metal as an area of focus due to the magnitude of the balances and the nature of tin-in-process and refined tin metal requires management to apply valuation techniques which involve subjective judgements and estimates.

In addressing the area of focus in respect of the timing of recognition of tin-in-concentrates, we performed, amongst others, the following procedures:

- (a) We read the significant purchase contracts to obtain an understanding of the terms and conditions to establish the Company's rights and obligations over tin-in-concentrates purchased.
- (b) We tested the relevant internal controls over the accuracy and timing of recognition of tin-in-concentrates.
- (c) We inspected, on a sample basis, documents which evidenced the receipt of tin-in-concentrates from suppliers.
- (d) We also focused on testing purchase transactions close to the year end to establish whether the transactions were recorded in the correct accounting period.

In addressing the area of focus in respect of valuation of tin-in-concentrates, tin-in-process and refined tin metal, we performed, amongst others, the following procedures:

- (a) We obtained an understanding of the Company's production process and the types of costs included in the valuation of tin-in-concentrates, tin-in-process and refined tin metal.
- (b) We also obtained an understanding of and tested the internal controls over the recording of tin-in-concentrates consumed and the valuation of different stages of tin-in-process.
- (c) We attended the physical inventory counts and observed whether the counts were conducted according to inventory count procedures.
- (d) We tested the arithmetic calculation of the valuation of inventories.

#### *Provision for mine restoration costs*

As disclosed in Note 27 to the financial statements, the Group recorded a provision for mine restoration costs of RM28.2 million in respect of restoration obligations of its subsidiary as at 31 December 2017. Under the Mineral (Perak) Enactment 2003, the Group is required to submit its mine restoration plan for approval by the Perak State Mineral Resources Committee. The Group engaged an external consultant specialising in mine restoration to carry out an assessment of the required restoration and to formulate a mine restoration plan. As at the reporting date, the mine restoration plan has been submitted and is pending approval. The Group estimates the costs required to fulfil this obligation according to the plan formulated by the external consultant and recognises a provision for these costs at each reporting date.

A provision by its nature is more inherently uncertain as the estimates of the outcome and financial effects are determined by the judgement of the management in consultation with the external consultant. This was an area of focus in our audit due to the long timescales and significant management judgement and estimates involved in determining the intended method of restoration and amount of future cash outflows.

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## Independent Auditors' Report (cont'd) to the members of Malaysia Smelting Corporation Berhad (Incorporated in Malaysia)

### *Key audit matters (cont'd)*

#### *Provision for mine restoration costs (cont'd)*

In addressing this area of focus, we evaluated the objectivity, independence, expertise and experience of the external mine restoration consultant engaged by the Group. We obtained an understanding of the methodology adopted by the consultant in formulating the restoration plan and assessed whether such methodology is consistent with those used in the industry. We also evaluated the significant cost components through enquiries with the external consultant and, where relevant, we compared the cost components to past actual experience or quotations obtained from third party contractors and suppliers. We also focused on the adequacy of the Group's disclosure about the significant judgements and estimates 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. We have obtained the Directors' Report prior to the date of this auditors' report. The remaining other information expected to be included in the annual report are expected to be made available to us after the date of this auditors' report.

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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the remaining other information expected to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

#### *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 2016 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.

## Independent Auditors' Report (cont'd) to the members of Malaysia Smelting Corporation Berhad (Incorporated in Malaysia)

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### *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.
- 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.

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## Independent Auditors' Report (cont'd) to the members of Malaysia Smelting Corporation Berhad (Incorporated in Malaysia)

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

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 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

Kuala Lumpur, Malaysia  
27 March 2018

Teoh Soo Hock  
No. 02477/10/2019 J  
Chartered Accountant

## STATEMENTS OF PROFIT OR LOSS

for the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>					
Tin mining and smelting revenue		1,436,177	1,477,941	1,436,172	1,477,937
<b>Other items of income</b>					
Dividend income	5	–	–	54,459	9
Interest income	6	1,659	3,493	2,415	3,593
Other income	7	7,384	7,424	7,292	8,985
<b>Expenses</b>					
Costs of tin mining and smelting		(1,318,726)	(1,314,206)	(1,396,040)	(1,372,509)
Employee benefits expense	8	(56,880)	(54,115)	(37,248)	(36,601)
Depreciation expense	4	(13,042)	(9,184)	(4,270)	(3,927)
Amortisation expenses	4	(1,957)	(1,975)	(3)	(3)
Reversal of impairment losses/(Impairment losses)	11	129	(37,536)	(14,539)	(28,479)
Finance costs	9	(14,718)	(12,650)	(13,697)	(13,035)
Other expenses	10	(10,682)	(9,596)	(5,141)	(4,937)
<b>Total expenses</b>		<b>(1,415,876)</b>	<b>(1,439,262)</b>	<b>(1,470,938)</b>	<b>(1,459,491)</b>
Share of results of associates and joint ventures		(1,109)	(89)	–	–
<b>Profit before tax</b>	4	<b>28,235</b>	<b>49,507</b>	<b>29,400</b>	<b>31,033</b>
Income tax (expense)/credit	12	(12,131)	(15,175)	910	(5,168)
<b>Profit net of tax</b>		<b>16,104</b>	<b>34,332</b>	<b>30,310</b>	<b>25,865</b>
<b>Attributable to:</b>					
Owners of the Company		16,105	34,334	30,310	25,865
Non-controlling interests		(1)	(2)	–	–
		<b>16,104</b>	<b>34,332</b>	<b>30,310</b>	<b>25,865</b>
		<b>Group</b>			
		2017	2016		
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
- Basic and diluted	13	16.1	34.3		

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

## STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Profit net of tax</b>	<b>16,104</b>	<b>34,332</b>	<b>30,310</b>	<b>25,865</b>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
Revaluation surplus on property, plant and equipment, net	5,305	2,881	308	235
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	(1,685)	7,974	(1,685)	7,974
Share of an associate's revaluation surplus on property, plant and equipment	155	-	-	-
	<b>3,775</b>	<b>10,855</b>	<b>(1,377)</b>	<b>8,209</b>
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Foreign currency translation	1	(1)	-	-
Net fair value changes on cash flow hedges	1,720	5,394	1,720	5,394
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	(1,934)	(10,041)	-	-
	<b>(213)</b>	<b>(2,713)</b>	<b>1,720</b>	<b>5,394</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>3,562</b>	<b>8,142</b>	<b>343</b>	<b>13,603</b>
<b>Total comprehensive income for the year</b>	<b>19,666</b>	<b>42,474</b>	<b>30,653</b>	<b>39,468</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	19,667	42,476	30,653	39,468
Non-controlling interests	(1)	(2)	-	-
<b>Total comprehensive income for the year</b>	<b>19,666</b>	<b>42,474</b>	<b>30,653</b>	<b>39,468</b>

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

## STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	156,309	154,615	31,751	32,532
Prepaid land lease payments	16	740	773	–	–
Base inventory		3,000	3,000	3,000	3,000
Intangible assets	17	5,942	6,995	204	207
Investment in subsidiaries	18	–	–	148,681	148,681
Investments in associates and joint ventures	19	34,568	37,336	18,666	18,666
Investment securities	20	21,205	23,423	21,205	23,423
Other non-current assets	21	14,445	15,025	–	–
Other receivables	24	–	–	–	–
Deferred tax assets	32	7,227	3,986	140	–
		<b>243,436</b>	<b>245,153</b>	<b>223,647</b>	<b>226,509</b>
<b>Current assets</b>					
Inventories	22	469,677	374,249	469,731	376,855
Trade receivables	23	11,436	30,733	11,435	30,729
Other receivables	24	9,345	12,969	23,859	32,596
Trade prepayments	25	49,694	36,267	49,694	36,267
Other prepayments		2,465	3,352	2,342	3,347
Tax recoverable		19,312	11,480	18,509	11,480
Derivative financial instruments	33	375	–	375	–
Cash, bank balances and deposits	26	68,678	80,391	58,795	70,871
		<b>630,982</b>	<b>549,441</b>	<b>634,740</b>	<b>562,145</b>
<b>Total assets</b>		<b>874,418</b>	<b>794,594</b>	<b>858,387</b>	<b>788,654</b>

## Statements of Financial Position (cont'd)

as at 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Provisions	27	12,315	12,035	9,635	9,635
Borrowings	28	452,781	289,187	403,617	289,187
Trade and other payables	29	86,517	126,159	141,519	205,738
Current tax payable		51	5,338	–	–
Derivative financial instruments	33	2,458	2,676	–	2,676
		<b>554,122</b>	<b>435,395</b>	<b>554,771</b>	<b>507,236</b>
<b>Net current assets</b>		<b>76,860</b>	<b>114,046</b>	<b>79,969</b>	<b>54,909</b>
<b>Non-current liabilities</b>					
Provisions	27	27,904	26,728	–	–
Deferred tax liabilities	32	1,343	1,959	–	455
Borrowings	28	–	50,282	–	–
Derivative financial instruments	33	–	847	–	–
		<b>29,247</b>	<b>79,816</b>	<b>–</b>	<b>455</b>
<b>Total liabilities</b>		<b>583,369</b>	<b>515,211</b>	<b>554,771</b>	<b>507,691</b>
<b>Net assets</b>		<b>291,049</b>	<b>279,383</b>	<b>303,616</b>	<b>280,963</b>
<b>Equity attributable to owners of the Company</b>					
Share capital	30	174,666	100,000	174,666	100,000
Share premium	30	–	76,372	–	74,666
Other reserves	31	43,651	38,383	11,962	11,619
Retained earnings		72,439	64,334	116,988	94,678
		<b>290,756</b>	<b>279,089</b>	<b>303,616</b>	<b>280,963</b>
<b>Non-controlling interests</b>		<b>293</b>	<b>294</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>291,049</b>	<b>279,383</b>	<b>303,616</b>	<b>280,963</b>
<b>Total equity and liabilities</b>		<b>874,418</b>	<b>794,594</b>	<b>858,387</b>	<b>788,654</b>

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 2017

Group	Note	Total equity RM'000	Equity attributable to owners of the Company		Attributable to owners of the Company					Distributable		
			Company total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Other reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000
	<b>At 1 January 2016</b>	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)
	<b>At 31 December 2016</b>	279,383	279,089	100,000	76,372	31,726	3,206	5,171	(1,720)	-	64,334	294
	<b>At 1 January 2017</b>	279,383	279,089	100,000	76,372	31,726	3,206	5,171	(1,720)	-	64,334	294
	Transfer in accordance with Section 618(2) of the Companies Act 2016	-	-	74,666	(74,666)	-	-	-	-	-	-	-
	Reclassification	-	-	-	(1,706)	-	-	-	-	1,706	-	-
	Profit for the year	16,104	16,105	-	-	-	-	-	-	-	16,105	(1)
	Other comprehensive income	3,562	3,562	-	5,460	(1,933)	(1,685)	1,720	-	-	-	-
	Total comprehensive income	19,666	19,667	-	5,460	(1,933)	(1,685)	1,720	-	-	16,105	(1)
	<b>Transactions with owners of the Company:</b>											
	Dividend paid	14	(8,000)	-	-	-	-	-	-	-	(8,000)	-
	<b>At 31 December 2017</b>	291,049	290,756	174,666	-	37,186	1,273	3,486	-	1,706	72,439	293



## Statements of Changes in Equity (cont'd) for the financial year ended 31 December 2017

Company	Note	Non-distributable					Distributable	
		Total equity RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Retained earnings RM'000
<b>At 1 January 2016</b>		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
<b>At 31 December 2016</b>		280,963	100,000	74,666	8,168	5,171	(1,720)	94,678
<b>At 1 January 2017</b>		280,963	100,000	74,666	8,168	5,171	(1,720)	94,678
Transfer in accordance with Section 618(2) of the Companies Act 2016	a	-	74,666	(74,666)	-	-	-	-
Profit for the year		30,310	-	-	-	-	-	30,310
Other comprehensive income		343	-	-	308	(1,685)	1,720	-
Total comprehensive income		30,653	-	-	308	(1,685)	1,720	30,310
<b>Transactions with owners of the Company:</b>								
Dividend paid	14	(8,000)	-	-	-	-	-	(8,000)
<b>At 31 December 2017</b>		303,616	174,666	-	8,476	3,486	-	116,988

### Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the concept of authorised share capital and par value of share capital have been abolished. Consequently, the credit standing in the share premium account of RM74,666,000 for the Group and the Company becomes part of the Group's and the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the number of ordinary shares in issue.

Pursuant to subsection 618(3) of the New Act, the Company may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act.

▶ 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 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Operating activities</b>					
Profit before tax		28,235	49,507	29,400	31,033
Adjustments for:					
Amortisation of intangible assets		918	935	3	3
Amortisation of mine properties	4	1,006	1,007	-	-
Amortisation of prepaid land lease payments	4	33	33	-	-
Depreciation	4	13,042	9,184	4,270	3,927
Dividend income received from a subsidiary	5	-	-	(54,450)	-
Dividend income received from an associate	5	-	-	(9)	(9)
Fair value changes in ineffective portion of derivatives designated as hedging instruments in cash flow hedge	7	-	(289)	-	(289)
Fair value changes in forward currency contracts	7	823	847	(788)	-
Fair value changes in interest rate swap	7	-	(2)	-	(2)
(Gain)/Loss on disposal of property, plant and equipment	7	(157)	(59)	126	(57)
Gain on partial disposal of a joint venture	7	-	(11,541)	-	(13,476)
Impairment of receivables	11	-	5,568	14,539	5,568
Impairment of advances to a supplier	11	-	31,202	-	31,202
(Reversal of impairment)/ Impairment of investment in associates and joint ventures	11	(129)	766	-	(8,291)
Interest expense	9	13,674	11,914	13,675	13,019
Interest income	6	(1,659)	(3,493)	(2,415)	(3,593)
Loss on disposal of intangible assets	7	14	-	-	-
Property, plant and equipment written off	10	1	1	-	-
Reversal of revaluation deficit on property	7	(51)	(61)	-	-
Share of results of associates and joint ventures		1,109	89	-	-
Unrealised (gain)/loss on exchange		(1,564)	6,817	(446)	6,529
Unwinding of discount on provision	9	1,022	720	-	-
Reversal of inventories written down to net realisable value	4	-	(17,400)	-	(17,400)
Write off of other prepayments	10	-	635	-	-
Operating cash flows before changes in working capital		56,317	86,380	3,905	48,164

## Statements of Cash Flows (cont'd)

for the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Operating activities (cont'd)</b>					
Increase in inventories		(95,428)	(87,734)	(92,876)	(104,646)
Decrease in receivables		26,739	4,362	27,205	6,893
Increase in amounts due from subsidiaries		–	–	(8,968)	(6,133)
(Increase)/Decrease in amounts due from associates		(3,501)	3,277	(3,501)	3,277
(Increase)/Decrease in trade prepayments		(13,427)	39,135	(13,427)	39,135
Decrease/(Increase) in other prepayments		1,857	(1,753)	1,976	(1,515)
(Decrease)/Increase in payables		(39,146)	37,028	(54,460)	32,756
(Decrease)/Increase in amount due to holding company		(539)	611	64	(9)
(Decrease)/Increase in amount due to subsidiaries		–	–	(11,872)	76,284
Cash (used in)/generated from operations		(67,128)	81,306	(151,954)	94,206
Income tax paid		(29,101)	(15,940)	(6,822)	(8,843)
Interest paid		(14,438)	(10,825)	(12,437)	(10,825)
Net cash (used in)/generated from operating activities		(110,667)	54,541	(171,213)	74,538
<b>Investing activities</b>					
Interest received		1,503	3,102	1,331	2,610
Net dividend received from an associate	5	9	9	9	9
Net dividend received from a subsidiary	5	–	–	54,450	–
Payment for intangible assets	17	(65)	–	–	–
Payment for deferred mine exploration and evaluation expenditures and mine properties	21	(426)	(3,657)	–	–
Withdrawal of deposits of more than three months maturity with licensed banks		–	3,234	–	–
Proceeds from disposal of intangible assets		135	–	–	–
Proceeds from disposal of property, plant and equipment		1,084	84	184	82
Purchase of property, plant and equipment		(9,900)	(53,751)	(3,451)	(2,342)
Net cash (used in)/generated from investing activities		(7,660)	(50,979)	52,523	359

## Statements of Cash Flows (cont'd) for the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Financing activities</b>					
Dividend paid	14	(8,000)	–	(8,000)	–
Drawdown/(Repayment) of short term trade financing and other borrowings		114,430	(97,361)	114,430	(97,361)
Drawdown of term loan		–	49,993	–	–
Repayment of term loan		–	(6,011)	–	(6,011)
Net cash generated from/ (used in) financing activities		106,430	(53,379)	106,430	(103,372)
Net decrease in cash and cash equivalents		(11,897)	(49,817)	(12,260)	(28,475)
Effect of changes in foreign exchange rates		(33)	(501)	(33)	(501)
Cash and cash equivalents as at 1 January		76,873	127,191	67,353	96,329
Cash and cash equivalents as at 31 December	26	64,943	76,873	55,060	67,353

### Reconciliation of liabilities arising from financing activities:

	Carrying amount as at 1 January 2017 RM'000	Cash flows RM'000	Non-cash changes Foreign exchange movement RM'000	Carrying amount as at 31 December 2017 RM'000
Short term borrowings	289,187	114,430	–	403,617
Term loan	50,282	–	(1,118)	49,164
<b>Total liabilities from financing activities</b>	339,469	114,430	(1,118)	452,781

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

# NOTES TO THE FINANCIAL STATEMENTS

## for the financial year ended 31 December 2017

### 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 Lot 6, 8 and 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, 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 penultimate holding and ultimate holding companies of the Company are The Cairns Pte. Ltd. and Tan Chin Tuan Pte. Ltd. respectively, both of which are private limited liability companies 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 of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 follow:

On 1 January 2017, the Group and the Company have adopted the following amendments to MFRS mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

## Notes to the Financial Statements (cont'd)

### 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 of the Company, except as disclosed below:

##### MFRS 107 Disclosure Initiative (Amendments to MFRS 107)

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. Apart from the additional disclosures in statement of cash flows, the application of these amendments has had no impact on the Group and on the Company.

#### 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
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred



## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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:

##### 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 Group and the Company intend to adopt the new standard on the required effective date using the full retrospective method, requiring the restatement of comparative period presented in the financial statements, if any.

The Group and the Company have established a project team to evaluate the potential impact of adopting this standard. The implementation efforts included identifying main revenue streams, selecting individual contracts to analyse the accounting differences and potential statement impact based on the new five-step model, assessing transition method to be used in adoption, and developing updated disclosures.

Based on the completed contracts reviews to date, the Group's and the Company's assessment of the impact of MFRS 15 is set out below:

- Revenue relating to sales of goods will be recognised when control of the goods has transferred, being the point when the goods are delivered to the customer. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sale of goods under MFRS 15 is unlikely to be materially different from its current practice.
- Revenue relating to other service charge and warehouse rent will be recognised in the accounting period in which the services are rendered. The Group and the Company do not expect the revenue recognition for services under MFRS 15 to be materially different from its current practice.
- The adoption of MFRS 15 will result in changes in accounting policies for revenue recognition and disclosures made in the Group's and the Company's financial statements.

The project team is developing additional quantitative and qualitative disclosures that will be required upon the adoption of the new revenue recognition standard.

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

##### IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and on the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

##### 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. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

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 also requires lessees and lessors to make more extensive disclosures than under MFRS 117. 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.

#### 2.4 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.

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## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.4 Basis of consolidation (cont'd)

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 involvement 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.

#### **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.

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.4 Basis of consolidation (cont'd)

##### Business combinations (cont'd)

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 involvement 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, investment 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.

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## Notes to the Financial Statements (cont'd)

### 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 determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

In the Company's separate financial statements, investment 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.

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.7 Intangible assets (cont'd)

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.

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
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## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

##### a) Deferred mine exploration and evaluation expenditures (cont'd)

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.

##### 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.

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

##### b) Mine properties (cont'd)

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.

#### 2.10 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.

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## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.10 Property, plant and equipment and depreciation (cont'd)

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 of 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:

Leasehold land	80 years
Buildings	8 to 40 years
Plant, equipment and vehicles	3 to 40 years
Furniture	4 to 10 years
Mine restoration	15 years, or remaining life of mine, whichever is shorter

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.

#### 2.11 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.

Impairment losses of continuing operations 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.

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.12 Impairment of non-financial assets (cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

##### **Goodwill**

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

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

##### **Intangible assets**

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

#### 2.13 Financial assets

##### **Initial recognition and measurement**

Financial assets 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.

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## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.13 Financial assets (cont'd)

##### Subsequent measurement

##### 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 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 instrument 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 finance income.

##### 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 Other Comprehensive Income ("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

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.

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.14 Impairment of financial assets

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 occurring 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 Expected Credit Loss ("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 occurring 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.

#### 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 cost 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.

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## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.15 Inventories (cont'd)

Cost of tin inventories which has no matching sales contract is calculated using the weighted average cost method less allowance for conversion.

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.

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**

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

##### **As a lessor**

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

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

#### 2.18 Provisions

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

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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 acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group and the Company that 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.

##### 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.

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## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.19 Financial liabilities (cont'd)

##### 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.

## Notes to the Financial Statements (cont'd)

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### 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 for properties and derivatives instruments such as forward currency contracts.

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

##### 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.

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## Notes to the Financial Statements (cont'd)

### 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.

## Notes to the Financial Statements (cont'd)

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### 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.

##### *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.

#### 2.23 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.

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## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.23 Foreign currencies (cont'd)

##### i) Transactions and balances (cont'd)

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.

#### 2.25 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.

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.25 Revenue and other income recognition (cont'd)

(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) **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.

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## Notes to the Financial Statements (cont'd)

### 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.

## Notes to the Financial Statements (cont'd)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.27 Income tax (cont'd)

##### (b) Deferred tax (cont'd)

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.

#### 2.28 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 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").

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## Notes to the Financial Statements (cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.29 Employee benefits (cont'd)

##### (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.

#### 2.30 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 operating officers responsible for the performance of the respective segments under their charge. The segment chief operating officers report directly to the chief executive officer 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.

## Notes to the Financial Statements (cont'd)

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### 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

There are no critical judgements made by management in the process of applying the Group's and the Company's accounting policies that has significant effect on the amounts recognised in the financial statements.

#### 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 8 to 40 years. These are common life expectancies applied in such industry. Changes in the expected level of usage and timing of relocation to Pulau Indah 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) 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.

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## Notes to the Financial Statements (cont'd)

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

#### 3.2 Key sources of estimation uncertainty (cont'd)

##### (b) Provision for mine restoration costs (cont'd)

The subsidiary has engaged a South Korean consultant specialising in mine restoration to carry out assessment on the mine restoration plan. The mine restoration plan was resubmitted by the subsidiary to the relevant authorities during the year ended 31 December 2017. The carrying amount of provision for mine restoration costs amounting to RM28.2 million (2016: RM26.7 million) is as disclosed in Note 27. 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.

##### (c) Inventories

Significant management judgement and estimation is required in applying: (i) valuation techniques to determine the valuation of tin-in-concentrates, tin-in-process and refined tin metal; and (ii) the timing of recognition of tin-in-concentrates based on the terms of the contracts.

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.

##### (d) 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 Notes 12 and 32 respectively.

## Notes to the Financial Statements (cont'd)

### 4. PROFIT BEFORE TAX

The following items have been included in arriving at the profit before tax:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
After charging/(crediting):				
Auditors' remuneration:				
- statutory audits	599	550	460	420
- under/(over) provision in prior years	-	7	-	(10)
- other services	70	14	70	14
Amortisation of prepaid land lease payments (Note 16)	33	33	-	-
Amortisation of mining rights (Note 17)	886	886	-	-
Amortisation of corporate club memberships (Note 17)	32	49	3	3
Amortisation of mine properties (Note 21)	1,006	1,007	-	-
Amortisation expenses	1,957	1,975	3	3
Depreciation of property, plant and equipment (Note 15)	13,042	9,184	4,270	3,927
Directors' fees (Note 35(b))	538	731	538	655
Hire of equipment and vehicles	190	247	190	247
Professional indemnity insurance for directors and officers	77	77	77	77
Rental of land and buildings	280	389	1,848	1,964
Reversal of inventories written down to net realisable value	-	(17,400)	-	(17,400)

### 5. DIVIDEND INCOME

	Company	
	2017 RM'000	2016 RM'000
Dividend income from:		
Investment in subsidiaries		
- Unquoted in Malaysia	54,450	-
Investments in associates and joint ventures		
- Unquoted in Malaysia	9	9
	<b>54,459</b>	<b>9</b>

## Notes to the Financial Statements (cont'd)

### 6. INTEREST INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from:				
- Subsidiaries	–	–	927	593
- Associates and joint ventures	168	169	168	169
- Deposits placed with licensed banks	1,181	1,779	1,010	1,286
- Tin sales	310	1,545	310	1,545
	<b>1,659</b>	<b>3,493</b>	<b>2,415</b>	<b>3,593</b>

### 7. OTHER INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other operating income	6,408	4,294	6,129	2,846
Gain/(loss) on disposal of property, plant and equipment	157	59	(126)	57
Net foreign exchange gain/(loss)	1,605	(7,975)	501	(7,685)
Fair value changes in financial assets:				
- Forward currency contracts	(823)	(847)	788	–
- Interest rate swap	–	2	–	2
- Ineffective portion of derivatives designated as hedging instruments in cash flow hedge	–	289	–	289
Reversal of revaluation deficit on property	51	61	–	–
Loss on disposal of intangible assets	(14)	–	–	–
Gain on partial disposal of a joint venture	–	11,541	–	13,476
	<b>7,384</b>	<b>7,424</b>	<b>7,292</b>	<b>8,985</b>

## Notes to the Financial Statements (cont'd)

### 8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	48,456	44,737	30,870	29,150
Social security contribution	398	410	196	217
Contribution to defined contribution plan	5,536	4,914	4,049	3,534
Termination benefits	–	1,600	–	1,600
Other benefits	2,490	2,454	2,133	2,100
	<b>56,880</b>	<b>54,115</b>	<b>37,248</b>	<b>36,601</b>

### 9. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expenses on bank borrowings	13,674	11,914	11,657	11,671
Interest expenses on amount due to a subsidiary	–	–	2,018	1,348
Commitment fees	22	16	22	16
Unwinding of discount on provision (Note 27)	1,022	720	–	–
	<b>14,718</b>	<b>12,650</b>	<b>13,697</b>	<b>13,035</b>

### 10. OTHER EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Administrative expenses	9,726	7,778	4,186	3,755
Marketing and distribution expenses	955	1,182	955	1,182
Property, plant and equipment written off	1	1	–	–
Write off of other prepayments	–	635	–	–
	<b>10,682</b>	<b>9,596</b>	<b>5,141</b>	<b>4,937</b>

## Notes to the Financial Statements (cont'd)

### 11. (REVERSAL OF IMPAIRMENT LOSSES)/ IMPAIRMENT LOSSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Impairment of receivables	–	5,568	14,539	5,568
Impairment of advances to a supplier (Note 25)	–	31,202	–	31,202
(Reversal of impairment)/Impairment of investments in associates and joint ventures	(129)	766	–	(8,291)
	<b>(129)</b>	<b>37,536</b>	<b>14,539</b>	<b>28,479</b>

### 12. INCOME TAX EXPENSE

#### Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Statements of profit or loss</b>				
Malaysian income tax:				
Current income tax	16,252	19,597	–	7,348
(Over)/Under provision in prior year	(270)	343	(207)	342
	<b>15,982</b>	<b>19,940</b>	<b>(207)</b>	<b>7,690</b>
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	(5,791)	595	(2,628)	2,836
Under/(Over) provision in prior year	1,940	(5,360)	1,925	(5,358)
	<b>(3,851)</b>	<b>(4,765)</b>	<b>(703)</b>	<b>(2,522)</b>
Income tax expense/(credit) recognised in profit or loss	<b>12,131</b>	<b>15,175</b>	<b>(910)</b>	<b>5,168</b>

## Notes to the Financial Statements (cont'd)

### 12. INCOME TAX EXPENSE (CONT'D)

#### Major components of income tax expense (cont'd)

#### Statements of comprehensive income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax related to other comprehensive income (Note 32):				
Net surplus on revaluation of buildings	32	231	98	75
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	(533)	2,519	(533)	2,519
Net fair value changes on cash flow hedges	543	1,702	543	1,702
	<b>42</b>	<b>4,452</b>	<b>108</b>	<b>4,296</b>

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. The statutory income tax rate will be reduced from the current year's rate of 24% for year of assessments 2017 and 2018, as follows:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point reduction	Income tax rate after reduction (%)
Less than 5.00	NIL	24
5.00 - 9.99	1	23
10.00 - 14.99	2	22
15.00 - 19.99	3	21
20.00 and above	4	20

The reduction in income tax rate from 24% to 20% is only applicable to the incremental chargeable income as compared to the immediate preceding year of assessment.



## Notes to the Financial Statements (cont'd)

### 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:

	2017	2016
Indonesia	25%	25%
Singapore	17%	17%

#### Reconciliation between tax expense and accounting profit

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	28,235	49,507	29,400	31,033
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	6,776	11,882	7,056	7,448
Effect of reduction in Malaysian income tax rate on incremental chargeable income	(792)	–	–	–
Different tax rates in other countries	3	3	–	–
Income not subject to tax	(26)	(2,784)	(13,030)	(3,248)
Expenses not deductible for tax purpose	4,500	11,091	3,346	5,984
(Over)/Under provision of tax expense in prior year	(270)	343	(207)	342
Under/(Over) provision of deferred tax in prior year	1,940	(5,360)	1,925	(5,358)
Income tax expense/(credit) recognised in profit or loss	12,131	15,175	(910)	5,168

### 13. BASIC AND DILUTED EARNINGS PER SHARE

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

	Group	
	2017	2016
Profit net of tax attributable to owners of the Company (RM'000)	16,105	34,334
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic and diluted earnings per share (sen)	16.1	34.3

## Notes to the Financial Statements (cont'd)

### 14. DIVIDENDS

	2017 RM'000	2016 RM'000	Net dividend per ordinary share	
			2017 Sen	2016 Sen
Final single-tier dividend of RM0.08 per share on 100,000,000 ordinary shares, for the year ended 31 December 2016, declared on 21 April 2017 and paid on 11 July 2017	8,000	-	8	-

Subject to the approval of the members at the forthcoming Annual General Meeting of the Company, the directors recommend the payment of a first and final single-tier dividend of RM0.04 per share amounting to RM4,000,000 for the financial year ended 31 December 2017.

The financial statements for the financial year ended 31 December 2017 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 2018.

### 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
<b>Cost or Valuation</b>							
At 1 January 2017							
- At cost	-	-	-	113,285	24,632	1,582	139,499
- At valuation	30,095	24,670	29,041	-	-	-	83,806
	30,095	24,670	29,041	113,285	24,632	1,582	223,305
Additions	-	-	2,491	2,337	434	5,072	10,334
Disposals	-	-	-	(1,522)	-	-	(1,522)
Written off	-	-	-	(39)	-	-	(39)
Transfer in/(out)	-	-	-	4,993	-	(4,993)	-
Revaluation adjustments	6,574	-	(3,343)	-	-	-	3,231
At 31 December 2017	36,669	24,670	28,189	119,054	25,066	1,661	235,309
Representing:							
- At cost	-	-	-	119,054	25,066	1,661	145,781
- At valuation	36,669	24,670	28,189	-	-	-	89,528
At 31 December 2017	36,669	24,670	28,189	119,054	25,066	1,661	235,309

## Notes to the Financial Statements (cont'd)

### 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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
<b>Accumulated depreciation</b>							
At 1 January 2017	-	51	-	63,446	5,193	-	68,690
Depreciation charge for the year (Note 4)	-	309	1,797	7,347	3,589	-	13,042
Disposals	-	-	-	(537)	-	-	(537)
Written off	-	-	-	(38)	-	-	(38)
Elimination of accumulated depreciation on revaluation	-	(360)	(1,797)	-	-	-	(2,157)
At 31 December 2017	-	-	-	70,218	8,782	-	79,000
<b>Net carrying amount</b>							
- At cost	-	-	-	48,836	16,284	1,661	66,781
- At valuation	36,669	24,670	28,189	-	-	-	89,528
At 31 December 2017	36,669	24,670	28,189	48,836	16,284	1,661	156,309
<b>Cost or Valuation</b>							
At 1 January 2016	-	-	-	93,693	16,624	890	111,207
- At cost	27,377	-	21,590	-	-	-	48,967
- At valuation	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	-	-	-	(319)	-	-	(319)
Written off	-	-	-	(648)	-	-	(648)
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
<b>Representing:</b>							
- 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

## Notes to the Financial Statements (cont'd)

### 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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
<b>Accumulated depreciation</b>							
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	-	-	-	(294)	-	-	(294)
Written off	-	-	-	(647)	-	-	(647)
Elimination of accumulated depreciation on revaluation	-	-	(834)	-	-	-	(834)
At 31 December 2016	-	51	-	63,446	5,193	-	68,690
<b>Net carrying amount</b>							
- 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

Included in the Group's additions to property, plant and equipment is an amount of RM434,000 (2016: RM8,008,000) relating to provision for mine restoration costs as disclosed in Note 27.

## Notes to the Financial Statements (cont'd)

### 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
<b>Cost or Valuation</b>				
At 1 January 2017				
- At cost	–	63,631	1,582	65,213
- At valuation	11,150	–	–	11,150
	11,150	63,631	1,582	76,363
Additions	–	–	3,451	3,451
Disposals	–	(888)	–	(888)
Written off	–	(29)	–	(29)
Transfer in/(out)	–	4,993	(4,993)	–
Revaluation adjustments	96	–	–	96
At 31 December 2017	11,246	67,707	40	78,993
Representing:				
- At cost	–	67,707	40	67,747
- At valuation	11,246	–	–	11,246
At 31 December 2017	11,246	67,707	40	78,993
<b>Accumulated depreciation</b>				
At 1 January 2017	–	43,831	–	43,831
Depreciation charge for the year (Note 4)	310	3,960	–	4,270
Disposals	–	(520)	–	(520)
Written off	–	(29)	–	(29)
Elimination of accumulated depreciation on revaluation	(310)	–	–	(310)
At 31 December 2017	–	47,242	–	47,242
<b>Net carrying amount</b>				
- At cost	–	20,465	40	20,505
- At valuation	11,246	–	–	11,246
At 31 December 2017	11,246	20,465	40	31,751

## Notes to the Financial Statements (cont'd)

### 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
<b>Cost or Valuation</b>				
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	-	(313)	-	(313)
Written off	-	(192)	-	(192)
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
<b>Accumulated depreciation</b>				
At 1 January 2016	-	40,694	-	40,694
Depreciation charge for the year (Note 4)	310	3,617	-	3,927
Disposals	-	(288)	-	(288)
Written off	-	(192)	-	(192)
Elimination of accumulated depreciation on revaluation	(310)	-	-	(310)
At 31 December 2016	-	43,831	-	43,831
<b>Net carrying amount</b>				
- 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

## Notes to the Financial Statements (cont'd)

### 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

#### Group

Land and buildings owned by the Group were revalued on 31 December 2017 based on valuations carried out by independent firms of professional valuers as follows:

Description of Property	Valuation RM'000
(i) Land with offices and factory buildings in Jalan Pantai, Butterworth	40,998
(ii) Land with offices and factory buildings in Pulau Indah Industrial Park	34,770
(iii) 3 units of office premises in Jalan Yap Kwan Seng, Kuala Lumpur	6,750
(iv) 80 units of flats in Bukit Mertajam	4,496
(v) Land and buildings in Daerah Hulu Perak	2,514
	89,528

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Freehold land	9,339	9,339	–	–
Leasehold land	24,310	24,619	–	–
Buildings	17,635	16,115	5,077	5,279



## Notes to the Financial Statements (cont'd)

### 16. PREPAID LAND LEASE PAYMENTS

Group	2017 RM'000	2016 RM'000
<b>Leasehold land</b>		
At 1 January	773	806
Amortisation for the year (Note 4)	(33)	(33)
At 31 December	<u>740</u>	<u>773</u>
Analysed as:		
Long term leasehold land	494	503
Short term leasehold land	246	270
	<u>740</u>	<u>773</u>
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	576	609
	<u>740</u>	<u>773</u>

The long term leasehold land has unexpired lease periods of between 51 and 95 years (2016: 52 and 96 years).  
The short term leasehold land has unexpired lease periods of between 5 and 11 years (2016: 6 and 12 years).

### 17. INTANGIBLE ASSETS

Group	Mining rights RM'000	Corporate club memberships RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2017	21,817	1,078	22,895
Additions	-	65	65
Disposals	-	(577)	(577)
At 31 December 2017	<u>21,817</u>	<u>566</u>	<u>22,383</u>
At 1 January 2016/31 December 2016	21,817	1,078	22,895

## Notes to the Financial Statements (cont'd)

### 17. INTANGIBLE ASSETS (CONT'D)

Group	Mining rights RM'000	Corporate club memberships RM'000	Total RM'000
<b>Accumulated amortisation</b>			
At 1 January 2017	15,511	389	15,900
Amortisation for the year (Note 4)	886	32	918
Disposals	-	(377)	(377)
At 31 December 2017	16,397	44	16,441
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
<b>Net carrying amount</b>			
At 31 December 2017	5,420	522	5,942
At 31 December 2016	6,306	689	6,995
<b>Company</b>			<b>Corporate club membership RM'000</b>
<b>Cost</b>			
At 1 January 2016/31 December 2016/31 December 2017			215
<b>Accumulated amortisation</b>			
At 1 January 2017			8
Amortisation for the year (Note 4)			3
At 31 December 2017			11
At 1 January 2016			5
Amortisation for the year (Note 4)			3
At 31 December 2016			8
<b>Net carrying amount</b>			
At 31 December 2017			204
At 31 December 2016			207
<b>Mining rights</b>			

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.

## Notes to the Financial Statements (cont'd)

### 18. INVESTMENT IN SUBSIDIARIES

Company	2017 RM'000	2016 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^	
			2017 %	2016 %	2017 %	2016 %
<b>Held by the Company:</b>						
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	100	-	-

## Notes to the Financial Statements (cont'd)

### 18. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries of the Group and the Company are as follows: (Cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest held by the Group <sup>^</sup>		Proportion of ownership interest held by non-controlling interests <sup>^</sup>	
			2017 %	2016 %	2017 %	2016 %
<b>Held through subsidiaries:</b>						
<b>Held by RHT</b> SL Tin Sdn. Bhd. ("SL Tin")***	Malaysia	Tin mining	80#	80#	20	20
<b>Held by SRM</b> PT SRM Indonesia ("PT SRM")***	Indonesia	Dormant	99#	99#	1	1

<sup>^</sup> 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

~ The intended activity of M Smelt is smelting of non-ferrous metals. M Smelt has yet to commence operation since the date of incorporation

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

## Notes to the Financial Statements (cont'd)

### 19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Investments in associates</b>				
<b>In Malaysia:</b>				
Unquoted shares, at cost	10,473	10,473	10,473	10,473
Share of post-acquisition reserves	16,451	17,292	-	-
	<b>26,924</b>	27,765	<b>10,473</b>	10,473
<b>Outside Malaysia:</b>				
Unquoted shares, at cost	-	17,374	-	17,374
Share of post-acquisition reserves	-	(5,558)	-	-
Accumulated impairment losses	-	11,816	-	17,374
	-	(11,816)	-	(17,374)
	-	-	-	-
	<b>26,924</b>	27,765	<b>10,473</b>	10,473
<b>Investments in joint ventures</b>				
<b>In Malaysia:</b>				
Unquoted shares, at cost	8,193	8,193	8,193	8,193
Share of post-acquisition reserves	5,468	7,524	-	-
Accumulated impairment losses	13,661	15,717	8,193	8,193
	(6,017)	(6,146)	-	-
	<b>7,644</b>	9,571	<b>8,193</b>	8,193
<b>Outside Malaysia:</b>				
Unquoted shares, at cost	-	1,274	-	1,274
Share of post-acquisition reserves	-	(1,274)	-	-
Accumulated impairment losses	-	-	-	1,274
	-	-	-	(1,274)
	-	-	-	-
	<b>7,644</b>	9,571	<b>8,193</b>	8,193
<b>Total investments in associates and joint ventures</b>	<b>34,568</b>	37,336	<b>18,666</b>	18,666

At the reporting date, the Group and the Company have written off the investments in an associate and a joint venture as both companies are dormant and no longer in operation.

## Notes to the Financial Statements (cont'd)

### 19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

#### (i) Investments 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
			2017 %	2016 %	
<b>Held by the Company:</b>					
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.

The summarised financial information of Redring, a material associate, based on its financial statements and a reconciliation with the carrying amount of Group's interest is set out below.

Summarised statement of financial position of Redring is as follows:

	2017 RM'000	2016 RM'000
Non-current assets	22,513	22,286
Current assets	51,492	50,867
<b>Total assets</b>	<b>74,005</b>	<b>73,153</b>
Non-current liabilities	439	–
Current liabilities	6,255	3,740
<b>Total liabilities</b>	<b>6,694</b>	<b>3,740</b>
<b>Net assets</b>	<b>67,311</b>	<b>69,413</b>

## Notes to the Financial Statements (cont'd)

### 19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

#### (i) Investments in associates (cont'd)

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

	2017 RM'000	2016 RM'000
Revenue	81,139	66,704
(Loss)/Profit before tax	(1,070)	7,081
(Loss)/Profit for the year	(1,054)	5,295
Other comprehensive (loss)/income	(1,024)	1,877
Total comprehensive (loss)/income	<u>(2,078)</u>	<u>7,172</u>

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

	2017 RM'000	2016 RM'000
Net assets at 31 December	67,311	69,413
Interest in associate	40%	40%
Carrying value of Group's interest in associate	<u>26,924</u>	<u>27,765</u>

#### (ii) Investments 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
		2017 %	2016 %		
<b>Held by the Company:</b>					
KM Resources, Inc. ("KMR")	Labuan, Malaysia	30	30	Note (a)	Equity method
Africa Smelting Corporation Sprl ("ASC")	Democratic Republic of Congo	40	40	Note (b)	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.



## Notes to the Financial Statements (cont'd)

### 19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

#### (ii) Investments in joint ventures (cont'd)

- (a) 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 of KMR in the Philippines have ceased the mining and processing operations due to depletion of mineral resources.

In 2016, 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 was 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.

A reversal of impairment of RM129,000 (2016: An impairment loss of RM766,000) was recognised in profit or loss of the Group in respect of the Group's investment in KMR. The recoverable amount was derived based on management's estimate of fair value less costs to sell.

- (b) The principal activity of ASC is the smelting of tin. ASC is currently dormant.

Summarised financial information of KMR Group, a material joint venture, based on their financial statements and a reconciliation with the carrying amount of Group's interest is set out below.

Summarised statement of financial position of KMR Group as follows:

	2017 RM'000	2016 RM'000
Non-current assets	20,841	20,987
Cash and cash equivalents	25,203	33,725
Other current assets	283	1,028
Total current assets	<b>25,486</b>	34,753
Total assets	<b>46,327</b>	55,740
Trade and other payables and provisions, representing total current liabilities	7	2,083
Trade and other payables and provisions	–	850
Non-current liabilities (excluding trade and other payables and provisions)	782	416
Total non-current liabilities	<b>782</b>	1,266
Total liabilities	<b>789</b>	3,349
Net assets	<b>45,538</b>	52,391

## Notes to the Financial Statements (cont'd)

### 19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

#### (ii) Investments in joint ventures (cont'd)

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

	2017 RM'000	2016 RM'000
Revenue	–	9
Interest income	10	166
Loss before tax	(3,185)	(7,357)
Loss after tax	(3,458)	(7,357)
Loss after tax - attributable to owners of the Company	(2,290)	(7,357)
Other comprehensive loss	(4,563)	(35,972)
Total comprehensive loss	(6,853)	(43,329)

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

	2017 RM'000	2016 RM'000
Net assets at 31 December	45,538	52,391
Interest in joint venture	30%	30%
	13,661	15,717
Accumulated impairment losses	(6,017)	(6,146)
Carrying value of Group's interest in joint venture	7,644	9,571

### 20. INVESTMENT SECURITIES

Group and Company	2017 RM'000	2016 RM'000
<b>Equity securities</b>		
Quoted investments	21,205	23,423
Unquoted investment	34,320	34,320
Accumulated impairment losses	(34,320)	(34,320)
	–	–
	21,205	23,423

## Notes to the Financial Statements (cont'd)

### 20. INVESTMENT SECURITIES (CONT'D)

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:

Group and Company	2017 RM'000	2016 RM'000
At fair value through other comprehensive income		
- Equity securities (quoted)		
- Asian Mineral Resources Limited ("AMR")	3,540	2,084
- Alphamin Resources Corp. ("Alphamin")	17,665	21,339
	<b>21,205</b>	<b>23,423</b>

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 capital appreciation.

#### (a) Quoted investments

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

#### (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.

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

Group	Deferred mine exploration and evaluation expenditures RM'000	Mine properties RM'000	Total RM'000
At 1 January 2017	9,193	5,832	15,025
Additions	421	5	426
Amortisation to profit or loss (Note 4)	-	(1,006)	(1,006)
At 31 December 2017	<b>9,614</b>	<b>4,831</b>	<b>14,445</b>
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

## Notes to the Financial Statements (cont'd)

### 21. OTHER NON-CURRENT ASSETS (CONT'D)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>At cost:</b>				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	455,262	352,442	458,036	358,430
Other inventories (stores, spares, fuels, coal and saleable by-products)	9,446	20,329	6,726	16,947
	<b>464,708</b>	<b>372,771</b>	<b>464,762</b>	<b>375,377</b>
<b>At net realisable value:</b>				
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	4,969	1,478	4,969	1,478
	<b>469,677</b>	<b>374,249</b>	<b>469,731</b>	<b>376,855</b>

Tin inventories comprise feed materials or tin-in-concentrates from suppliers, tin bearing intermediates or tin-in-process and refined tin metal.

The cost of inventories recognised as an expense in cost of sales is RM1,318,726,000 (2016: RM1,314,206,000) for the Group and RM1,396,040,000 (2016: RM1,372,509,000) for the Company.

## Notes to the Financial Statements (cont'd)

### 23. TRADE RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>				
Third parties	7,572	30,415	7,571	30,411
Associate	4,564	1,018	4,564	1,018
	<b>12,136</b>	<b>31,433</b>	<b>12,135</b>	<b>31,429</b>
Allowance for impairment - Third parties	(700)	(700)	(700)	(700)
Trade receivable, net	<b>11,436</b>	<b>30,733</b>	<b>11,435</b>	<b>30,729</b>
Add: <b>Other receivables (current and non-current) excluding GST recoverable</b> (Note 24)	<b>914</b>	<b>1,425</b>	<b>18,881</b>	<b>24,084</b>
Add: <b>Cash and bank balances</b> (Note 26)	<b>68,678</b>	<b>80,391</b>	<b>58,795</b>	<b>70,871</b>
<b>Total financial assets carried at amortised cost</b>	<b>81,028</b>	<b>112,549</b>	<b>89,111</b>	<b>125,684</b>

#### Credit risk

The Group's and the Company's normal trade credit terms range from cash term to 90 days (2016: 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 and subject to the Group's and the Company's normal credit terms which range from cash term to 90 days (2016: 90 days) where interest rate of 5% (2016: 5%) per annum is charged.

## Notes to the Financial Statements (cont'd)

### 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 aging analysis of trade receivables is as follows:

Group	Gross RM'000	Allowance for impairment RM'000	Net RM'000
<b>At 31 December 2017</b>			
Not past due	11,415	-	11,415
Past due:			
Less than 30 days	-	-	-
30 to 60 days	15	-	15
61 to 90 days	-	-	-
91 to 120 days	-	-	-
More than 120 days	706	700	6
	721	700	21
Total	<b>12,136</b>	<b>700</b>	<b>11,436</b>
<b>At 31 December 2016</b>			
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	<b>31,433</b>	<b>700</b>	<b>30,733</b>

## Notes to the Financial Statements (cont'd)

### 23. TRADE RECEIVABLES (CONT'D)

Company	Gross RM'000	Allowance for impairment RM'000	Net RM'000
<b>At 31 December 2017</b>			
Not past due	11,414	-	11,414
Past due:			
Less than 30 days	-	-	-
30 to 60 days	15	-	15
61 to 90 days	-	-	-
91 to 120 days	-	-	-
More than 120 days	706	700	6
	721	700	21
Total	12,135	700	11,435
<b>At 31 December 2016</b>			
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

#### 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.

#### Receivables that are past due but not impaired

Both the Group and the Company have trade receivables amounting to RM21,000 (2016: RM11,000) 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.



## Notes to the Financial Statements (cont'd)

### 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	
	2017 RM'000	2016 RM'000
Trade receivables-nominal amounts	700	700
Less: Allowance for impairment	(700)	(700)
	-	-

Movement in the allowance accounts:

	Group/Company	
	2017 RM'000	2016 RM'000
At 1 January	700	684
Impairment for the year	-	16
At 31 December	700	700

### 24. OTHER RECEIVABLES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current</b>					
Joint venture	(i)	6,935	7,661	6,935	7,661
Allowance for impairment - Joint venture		(6,935)	(7,661)	(6,935)	(7,661)
		-	-	-	-

## Notes to the Financial Statements (cont'd)

### 24. OTHER RECEIVABLES (CONT'D)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>					
Third parties		10,138	11,802	10,112	11,760
Subsidiaries	(ii)	–	–	32,278	22,383
Joint venture		59	59	59	59
		<b>10,197</b>	11,861	<b>42,449</b>	34,202
Allowance for impairment					
- Third parties		(9,775)	(10,798)	(9,775)	(10,798)
- Subsidiary		–	–	(14,539)	–
		<b>422</b>	1,063	<b>18,135</b>	23,404
Deposits		492	362	746	680
GST recoverable		8,431	11,544	4,978	8,512
		<b>9,345</b>	12,969	<b>23,859</b>	32,596
Total other receivables (current and non-current)		<b>9,345</b>	12,969	<b>23,859</b>	32,596
Less: GST recoverable		(8,431)	(11,544)	(4,978)	(8,512)
<b>Total other receivable (current and non-current) excluding GST recoverable</b>		<b>914</b>	1,425	<b>18,881</b>	<b>24,084</b>

(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 RM32,278,000 (2016: RM22,383,000) where interest rates ranging from 3.0% to 4.0% (2016: 3.0% to 4.0%) per annum is charged.

## Notes to the Financial Statements (cont'd)

### 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.

#### 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 Individually impaired		Company Individually impaired	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables-nominal amounts	16,710	18,459	35,157	18,459
Less: Allowance for impairment	(16,710)	(18,459)	(31,249)	(18,459)
	-	-	3,908	-

Movement in the allowance accounts:

	12-month ECL allowance RM'000	Lifetime ECL allowance RM'000	Total allowance RM'000
<b>Group</b>			
At 1 January 2017	5,591	12,868	18,459
Exchange difference	(530)	(1,219)	(1,749)
At 31 December 2017	5,061	11,649	16,710
At 1 January 2016	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
<b>Company</b>			
At 1 January 2017	5,591	12,868	18,459
Impairment for the year	-	14,539	14,539
Exchange difference	(530)	(1,219)	(1,749)
At 31 December 2017	5,061	26,188	31,249
At 1 January 2016	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

At the reporting date, the Company has provided an allowance of RM14,539,000 for impairment of the advances to a subsidiary. This subsidiary has been suffering financial losses for the current and last financial year, thus the recoverability of the advances is uncertain.

## Notes to the Financial Statements (cont'd)

### 25. TRADE PREPAYMENTS

	2017 RM'000	2016 RM'000
<b>Group and Company</b>		
Trade prepayments - nominal amounts	80,896	67,469
Less: Allowance for impairment (Note 11)	(31,202)	(31,202)
	<b>49,694</b>	<b>36,267</b>

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

### 26. CASH, BANK BALANCES AND DEPOSITS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash on hand and at banks	23,728	29,832	16,845	23,312
Deposits of up to three months maturity with licensed banks	41,215	47,041	38,215	44,041
	<b>64,943</b>	76,873	<b>55,060</b>	67,353
Deposit of more than three months maturity with licensed banks	3,735	3,518	3,735	3,518
	<b>68,678</b>	80,391	<b>58,795</b>	70,871

Deposits are made for varying periods of between 3 days and 12 months (2016: 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 2017 for the Group and the Company was 2.5% (2016: 3.0%) per annum.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash on hand and at banks	23,728	29,832	16,845	23,312
Deposits of up to three months maturity with licensed banks	41,215	47,041	38,215	44,041
Cash and cash equivalents	<b>64,943</b>	76,873	<b>55,060</b>	67,353

## Notes to the Financial Statements (cont'd)

### 27. PROVISIONS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Mine restoration	28,184	26,728	–	–
Provision for financial guarantee	9,635	9,635	9,635	9,635
Provision for environmental waste removal	2,400	2,400	–	–
	<b>40,219</b>	<b>38,763</b>	<b>9,635</b>	<b>9,635</b>
Analysed as:				
Current	12,315	12,035	9,635	9,635
Non-current	27,904	26,728	–	–

Provision for mine restoration	2017 RM'000	2016 RM'000
At 1 January	26,728	18,000
Provision during the year (Note 15)	434	8,008
Unwinding of discount on provision (Note 9)	1,022	720
At 31 December	<b>28,184</b>	<b>26,728</b>
Current	280	–
Non-current:		
Later than 1 year but not later than 2 years	279	–
Later than 2 years but not later than 5 years	553	–
Later than 5 years	27,072	26,728
	<b>27,904</b>	<b>26,728</b>
	<b>28,184</b>	<b>26,728</b>

#### (a) Provision for 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 substantially incurred subsequent to the cessation of production of the mine property. The provision for mine restoration costs is based on the present value of the estimated cash outflows to be incurred to restore and rehabilitate the mine.

The Group has engaged a South Korean consultant specialising in mine rehabilitation to carry out an assessment on the mine rehabilitation plan.

During the year, the increase in provision for mine restoration costs is due to changes in the estimated timing, discount rate and cash outflows to be incurred to restore and rehabilitate the mine.

#### (b) Provision for environmental waste removal

A provision of RM2,400,000 was made in respect of the obligation of M Smelt (C) Sdn. Bhd. for removal of environmental waste from its plant.

## Notes to the Financial Statements (cont'd)

### 28. BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Short term borrowings</b>				
Unsecured:				
Short term trade financing	–	33,011	–	33,011
Bankers' acceptances	403,617	256,176	403,617	256,176
Term loan	49,164	–	–	–
	<b>452,781</b>	<b>289,187</b>	<b>403,617</b>	<b>289,187</b>
<b>Long term borrowings</b>				
Unsecured:				
Term loan	–	50,282	–	–
	<b>452,781</b>	<b>339,469</b>	<b>403,617</b>	<b>289,187</b>

#### Bankers' acceptances

Bankers' acceptances bear interest rates which range from 3.7% to 4.4% (2016: 3.8% to 4.0%) per annum.

#### Term loan

The term loan is denominated in Singapore Dollar and repayable in one lump sum at maturity on 17 November 2018. The effective interest rate for the term loan is 4.0% per annum (2016: 4.0%).

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
On demand or within one year	452,781	289,187	403,617	289,187
More than 1 year and less than 2 year	–	50,282	–	–
	<b>452,781</b>	<b>339,469</b>	<b>403,617</b>	<b>289,187</b>

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

## Notes to the Financial Statements (cont'd)

### 29. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>					
<b>Trade payables</b>					
Third parties	a	34,493	85,130	29,796	80,871
Subsidiaries	d	–	–	25,388	37,346
		<b>34,493</b>	85,130	<b>55,184</b>	118,217
<b>Other payables</b>					
Third parties	b	36,734	22,217	14,860	14,186
Holding company	c	88	628	71	8
Subsidiaries	d	–	–	60,301	58,197
		<b>36,822</b>	22,845	<b>75,232</b>	72,391
Advance from customers		3,221	6,076	3,221	6,076
Accruals		11,431	10,867	7,882	9,054
GST payable		550	1,241	–	–
		<b>52,024</b>	41,029	<b>86,335</b>	87,521
<b>Total trade and other payables</b>		<b>86,517</b>	126,159	<b>141,519</b>	205,738
Less: GST payable		(550)	(1,241)	–	–
		<b>85,967</b>	124,918	<b>141,519</b>	205,738
Add: <b>Borrowings</b> (Note 28)		<b>452,781</b>	339,469	<b>403,617</b>	289,187
<b>Total financial liabilities carried at amortised cost</b>		<b>538,748</b>	464,387	<b>545,136</b>	494,925

**(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 (2016: 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 (2016: 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 RM60.44 million (2016: RM 58.89 million) where interest rates ranging from 3.1% to 3.2% (2016: 2.5% to 4.0%) per annum is charged.

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.



## Notes to the Financial Statements (cont'd)

### 30. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Amount			
		Share capital (issued and fully paid) '000	Share capital (issued and fully paid) RM'000	Share premium RM'000	Total share capital and share premium RM'000
<b>Group</b>					
At 1 January 2017	100,000	100,000	76,372	176,372	
Transfer in accordance with Section 618(2) of the Companies Act 2016	–	74,666	(74,666)	–	
Reclassification to other reserve (Note 31)	–	–	(1,706)	(1,706)	
<b>At 31 December 2017</b>	<b>100,000</b>	<b>174,666</b>	<b>–</b>	<b>174,666</b>	
At 1 January 2016/31 December 2016	100,000	100,000	76,372	176,372	
<b>Company</b>					
At 1 January 2017	100,000	100,000	74,666	174,666	
Transfer in accordance with Section 618(2) of the Companies Act 2016	–	74,666	(74,666)	–	
<b>At 31 December 2017</b>	<b>100,000</b>	<b>174,666</b>	<b>–</b>	<b>174,666</b>	
At 1 January 2016/ 31 December 2016	100,000	100,000	74,666	174,666	

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.

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the concept of authorised share capital and par value of share capital have been abolished. Consequently, the credit standing in the share premium account of RM74,666,000 for the Group and the Company becomes part of the Group's and the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the number of ordinary shares in issue.

Pursuant to subsection 618(3) of the New Act, the Company may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act.

## Notes to the Financial Statements (cont'd)

### 31. OTHER RESERVES (NON-DISTRIBUTABLE)

Group	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Other reserve RM'000	Total RM'000
<b>At 1 January 2017</b>	31,726	3,206	5,171	(1,720)	-	38,383
Reclassification from share premium account (Note 30)	-	-	-	-	1,706	1,706
<b>Other comprehensive income:</b>						
Revaluation surplus on property, plant and equipment, net	5,305	-	-	-	-	5,305
Net fair value changes in quoted investments at FVOCI	-	-	(1,685)	-	-	(1,685)
Share of an associate's revaluation surplus on property, plant and equipment	155	-	-	-	-	155
Foreign currency translation	-	1	-	-	-	1
Net fair value changes on cash flow hedges	-	-	-	1,720	-	1,720
Share of foreign currency translation of an associate and a joint venture	-	(1,934)	-	-	-	(1,934)
	5,460	(1,933)	(1,685)	1,720	-	3,562
<b>At 31 December 2017</b>	<b>37,186</b>	<b>1,273</b>	<b>3,486</b>	<b>-</b>	<b>1,706</b>	<b>43,651</b>

## Notes to the Financial Statements (cont'd)

### 31. OTHER RESERVES (NON-DISTRIBUTABLE) (CONT'D.)

Group	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	Available -for-sale reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Total RM'000
<b>At 1 January 2016</b>	28,845	11,313	–	(2,803)	(7,114)	30,241
<b>Other comprehensive income:</b>						
Revaluation surplus on property, plant and equipment, net	2,881	–	–	–	–	2,881
Net fair value changes in quoted investments at FVOCI	–	–	–	7,974	–	7,974
Foreign currency translation	–	(1)	–	–	–	(1)
Net fair value changes on cash flow hedges	–	–	–	–	5,394	5,394
Realisation of foreign currency translation reserves to profit or loss on partial disposal of a joint venture	–	1,935	–	–	–	1,935
Share of foreign currency translation of an associate and a joint venture	–	(10,041)	–	–	–	(10,041)
	2,881	(8,107)	–	7,974	5,394	8,142
<b>At 31 December 2016</b>	31,726	3,206	–	5,171	(1,720)	38,383

## Notes to the Financial Statements (cont'd)

### 31. OTHER RESERVES (NON-DISTRIBUTABLE) (CONT'D.)

	Revaluation reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Total RM'000
<b>Company</b>				
<b>At 1 January 2017</b>	8,168	5,171	(1,720)	11,619
<b>Other comprehensive income:</b>				
Revaluation surplus on property, plant and equipment, net	308	-	-	308
Net fair value changes in quoted investments at FVOCI	-	(1,685)	-	(1,685)
Net fair value changes on cash flow hedges	-	-	1,720	1,720
	308	(1,685)	1,720	343
<b>At 31 December 2017</b>	8,476	3,486	-	11,962

	Revaluation reserves RM'000	Available- for-sale reserves RM'000	FVOCI reserves RM'000	Hedging reserves RM'000	Total RM'000
<b>Company</b>					
<b>At 1 January 2016</b>	7,933	-	(2,803)	(7,114)	(1,984)
<b>Other comprehensive income:</b>					
Revaluation surplus on property, plant and equipment, net	235	-	-	-	235
Net fair value changes in quoted investments at FVOCI	-	-	7,974	-	7,974
Net fair value changes on cash flow hedges	-	-	-	5,394	5,394
	235	-	7,974	5,394	13,603
<b>At 31 December 2016</b>	8,168	-	5,171	(1,720)	11,619

## Notes to the Financial Statements (cont'd)

### 31. OTHER RESERVES (NON-DISTRIBUTABLE) (CONT'D.)

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

**(a) Revaluation reserves**

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

**(b) Foreign currency translation reserves**

The account records 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")**

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	(2,027)	(1,714)	455	(1,319)
Disposal of intangible assets	(48)	–	–	–
Recognised in profit or loss (Note 12)	(3,851)	(4,765)	(703)	(2,522)
Recognised in other comprehensive income (Note 12)	42	4,452	108	4,296
At 31 December	(5,884)	(2,027)	(140)	455

Presented after appropriate offsetting as follows:

Deferred tax assets	(7,227)	(3,986)	(140)	–
Deferred tax liabilities	1,343	1,959	–	455
	(5,884)	(2,027)	(140)	455

## Notes to the Financial Statements (cont'd)

### 32. DEFERRED TAX (CONT'D)

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

#### Deferred tax liabilities

Group	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2017	6,598	1,634	8,232
Disposal of intangible assets	(48)	–	(48)
Recognised in profit or loss	118	–	118
Recognised in other comprehensive income	32	(533)	(501)
	<b>6,700</b>	<b>1,101</b>	<b>7,801</b>
At 1 January 2016	6,419	(885)	5,534
Recognised in profit or loss	(52)	–	(52)
Recognised in other comprehensive income	231	2,519	2,750
	<b>6,598</b>	<b>1,634</b>	<b>8,232</b>
	<b>Company</b>		
At 1 January 2017	4,729	1,634	6,363
Recognised in profit or loss	291	–	291
Recognised in other comprehensive income	98	(533)	(435)
	<b>5,118</b>	<b>1,101</b>	<b>6,219</b>
At 1 January 2016	4,604	(885)	3,719
Recognised in profit or loss	50	–	50
Recognised in other comprehensive income	75	2,519	2,594
	<b>4,729</b>	<b>1,634</b>	<b>6,363</b>

## Notes to the Financial Statements (cont'd)

### 32. DEFERRED TAX (CONT'D)

#### Deferred tax assets

Group	Unutilised tax losses and unabsorbed capital allowances RM'000	Receivables RM'000	Other provisions RM'000	Fair value changes on derivative financial instruments RM'000	Total RM'000
At 1 January 2017	–	(2,426)	(7,191)	(642)	(10,259)
Recognised in profit or loss	(2,600)	2,258	(3,816)	189	(3,969)
Recognised in other comprehensive income	–	–	–	543	543
At 31 December 2017	(2,600)	(168)	(11,007)	90	(13,685)
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)
<b>Company</b>					
At 1 January 2017	–	(2,426)	(2,840)	(642)	(5,908)
Recognised in profit or loss	(2,600)	2,258	(841)	189	(994)
Recognised in other comprehensive income	–	–	–	543	543
At 31 December 2017	(2,600)	(168)	(3,681)	90	(6,359)
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)



## Notes to the Financial Statements (cont'd)

### 33. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Group		Company	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<b>At 31 December 2017</b>				
Forward currency contracts	375	2,458	375	–
Analysed as:				
Current	375	2,458	375	–
Non-current	–	–	–	–
<b>At 31 December 2016</b>				
Forward currency contracts	–	3,523	–	2,676
Analysed as:				
Current	–	2,676	–	2,676
Non-current	–	847	–	–

Forward currency contracts were entered into for the purpose of managing foreign exchange risk. During the financial year, there were no contracts designated as cash flow or fair value hedge. Such derivatives do not qualify for hedge accounting.

#### Forward currency contracts not designated as hedges

The fair value changes of these contracts are recognised in profit or loss.

#### Forward currency contracts designated as hedges

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.

The fair value changes of these contracts are recognised in profit or loss to the extent that the hedges are ineffective.

## Notes to the Financial Statements (cont'd)

### 33. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

The Group has the following derivative financial instruments at the reporting date:

#### At 31 December 2017

##### Forward currency contracts not designated as hedges

Forward currency contracts not designated as hedges to manage its foreign currency risk on expected future sales receivables.

Sell USD (in RM'000)	Range of maturity period	Average exchange rate RM/USD
11,600	From January 2018 to March 2018	4.0924

A fair value gain of RM375,000 with a deferred tax expense of RM90,000 in respect of these contracts has been recognised in profit or loss.

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 RM'000)	Range of maturity period	Average exchange rate RM/SGD
16,200	November 2018	3.2325

A fair value loss of RM2,458,000 in respect of these contracts has been recognised in profit or loss.

#### 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 RM'000)	Range of maturity period	Average exchange rate RM/USD
22,700	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.

## Notes to the Financial Statements (cont'd)

### 33. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

At 31 December 2016 (cont'd)

(i) Forward currency contracts designated as hedges (cont'd)

Buy USD (in RM'000)	Range of maturity period	Average exchange rate RM/USD
1,700	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 RM'000)	Range of maturity period	Average exchange rate RM/SGD
400	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.

(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 RM'000)	Range of maturity period	Average exchange rate RM/SGD
16,200	November 2018	3.2325

A fair value loss of RM847,000 in respect of these contracts has been recognised in profit or loss.

### 34. COMMITMENTS AND CONTINGENCY

Capital commitments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure:				
Approved and contracted for:				
- Property, plant and equipment	18,438	287	34	269
Approved but not contracted for:				
- Property, plant and equipment	6,420	29,098	-	-

Legal claim contingency

A subsidiary is defending a legal action brought by two companies. The subsidiary, via its lawyer, filed a Defence and Counter Claim Statement on the legal suit and the subsidiary has strong grounds to defend the action based on legal advice. The legal suit is currently pending hearing. In the Directors' opinion, disclosure of additional information about the above matter would be prejudicial to the interests of the Group.

## Notes to the Financial Statements (cont'd)

### 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	2017 RM'000	2016 RM'000
<b>Group</b>			
Associates/joint ventures:			
- Sales of products	(i)	61,718	50,408
- Interest income	(ii)	168	169
Director:			
- Legal fee charges	(iii)	-	140
Key management personnel:			
- Professional fee charges	(iv)	1,911	466
- Proceeds from disposal of motor vehicle	(v)	242	-
<b>Company</b>			
Subsidiaries:			
- Purchases of products	(vi)	183,518	174,366
- Interest income	(ii)	927	593
- Management fee income		1,800	2,400
- Advances given	(vii)	10,291	7,520
- Advances received	(viii)	56,000	58,886
- Rental paid		1,796	1,796
- Interest expense		2,018	1,348
Associates/joint ventures:			
- Sales of products	(i)	61,718	50,408
- Interest income	(ii)	168	169
Key management personnel:			
- Proceeds from disposal of motor vehicle	(v)	242	-

(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 Redring Solder (M) Sdn. Bhd. , M Smelt (C) Sdn. Bhd. and MSC Properties Sdn. Bhd. Further details are disclosed in Notes 23 and 24 respectively.

(iii) 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 is a partner of the law firm.

## Notes to the Financial Statements (cont'd)

### 35. RELATED PARTY DISCLOSURES (CONT'D)

#### (a) Related party transactions (cont'd)

- (iv) Professional fee was charged by a firm related to a former key management personnel of the Group.
- (v) Proceeds from disposal of motor vehicles to two former key management personnel of the Company.
- (vi) The purchases of products from a subsidiary has been made according to the market prices. Amount due to a subsidiary on trade transactions are repayable on demand.
- (vii) Advances given to certain subsidiaries are subject to interest as disclosed in Note 24 (ii).
- (viii) Advances received from a subsidiary is subject to interest as disclosed in Note 29 (d).

Information regarding outstanding balances arising from related party transactions as at 31 December 2016 and 2017 are disclosed in Notes 23, 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short term employee benefits	4,582	4,733	4,224	4,434
Post-employment benefits:				
- Defined contribution plan	533	543	497	543
Termination benefits	-	1,600	-	1,600
	<b>5,115</b>	<b>6,876</b>	<b>4,721</b>	<b>6,577</b>

Included in the total compensation of key management personnel was:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' fees (Note 4)	538	731	538	655

## Notes to the Financial Statements (cont'd)

### 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 and the Company had placed the cash deposits with reputable banks and financial institutions with a good mix of maturity periods to obtain the most favourable interest rates and ensure funds are available when required.

The 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
<b>At 31 December 2017</b>		
- Malaysian Ringgit	+25	(699)
	-25	699
- United States Dollar	+25	17
	-25	(17)
<b>At 31 December 2016</b>		
- Malaysian Ringgit	+25	(393)
	-25	393
- United States Dollar	+25	(60)
	-25	60

## Notes to the Financial Statements (cont'd)

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### 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 business transactions and foreign currency term loan. The Group has foreign exchange risk exposure mainly in United States Dollar and Singapore Dollar.

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) 55% (2016: 91%) of the Group's trade and other receivables (excluding GST recoverable) as well as 36% (2016: 56%) of the Group's trade and other payables (excluding GST payable) are denominated in foreign currencies, mainly in United States Dollar.
- (ii) 32% (2016: 8%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar.
- (iii) 11% (2016: 25%) of the Group's borrowings are denominated in Singapore Dollar and United States Dollar.

At 31 December 2017, the Group held forward currency contracts to manage its foreign currency risk on expected future sales receivables and purchases payables in United States 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. In the previous financial year, the ineffectiveness arising from the cash flow hedges resulted in a net loss of RM413,000 with a deferred tax benefits of RM99,000 recognised in profit or loss (see Note 33).

In the previous financial year, the cash flow hedges of certain contracts were assessed to be effective and a net loss of RM2,263,000 with a deferred tax benefit of RM543,000 is included in other comprehensive income (see Note 33).

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## Notes to the Financial Statements (cont'd)

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (b) Foreign currency risk (cont'd)

##### Forward currency contracts not designated as hedges

A net loss of RM2,083,000 (2016: a loss of RM847,000) with a deferred tax expense of RM90,000 (2016: RM Nil) in respect of the forward currency contracts were recognised in profit or loss (see Note 33).

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:

	2017		2016	
	Increase/ (Decrease) in profit net of tax RM'000	Increase/ (Decrease) in equity RM'000	(Decrease)/ Increase in profit net of tax RM'000	(Decrease)/ Increase in equity RM'000
USD/RM strengthened by 5%	1,101	1,101	(10,191)	(8,471)
USD/RM weakened by 5%	(1,101)	(1,101)	9,353	11,073

#### (c) Liquidity risk

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

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



## Notes to the Financial Statements (cont'd)

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (c) Liquidity risk (cont'd)

##### Analysis of financial instruments by remaining contractual maturities

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

Group	Note	Within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>At 31 December 2017</b>					
<b>Financial assets:</b>					
<u>Non-derivative</u>					
Trade receivables	23	11,436	-	-	11,436
Other receivables	24	914	-	-	914
Cash, bank balances and deposits	26	68,678	-	-	68,678
<u>Derivative</u>					
Forward currency contracts	33	375	-	-	375
Total undiscounted financial assets		81,403	-	-	81,403
<b>Financial liabilities:</b>					
<u>Non-derivative</u>					
Borrowings	28	452,781	-	-	452,781
Interest payable on borrowings		1,928	-	-	1,928
Trade and other payables	29	85,967	-	-	85,967
<u>Derivative</u>					
Forward currency contracts	33	2,458	-	-	2,458
Total undiscounted financial liabilities		543,134	-	-	543,134
Total net undiscounted financial liabilities		(461,731)	-	-	(461,731)

## Notes to the Financial Statements (cont'd)

### 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
<b>At 31 December 2016</b>					
<b>Financial assets:</b>					
<u>Non-derivative</u>					
Trade receivables	23	30,733	–	–	30,733
Other receivables	24	1,425	–	–	1,425
Cash, bank balances and deposits	26	80,391	–	–	80,391
Total undiscounted financial assets		112,549	–	–	112,549
<b>Financial liabilities:</b>					
<u>Non-derivative</u>					
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
<u>Derivative</u>					
Forward currency contracts	33	2,676	847	–	3,523
Total undiscounted financial liabilities		418,978	52,898	–	471,876
Total net undiscounted financial liabilities		(306,429)	(52,898)	–	(359,327)

## Notes to the Financial Statements (cont'd)

### 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
<b>At 31 December 2017</b>					
<b>Financial assets:</b>					
<u>Non-derivative</u>					
Trade receivables	23	11,435	–	–	11,435
Other receivables	24	18,881	–	–	18,881
Cash, bank balances and deposits	26	58,795	–	–	58,795
<u>Derivative</u>					
Forward currency contracts	33	375	–	–	375
Total undiscounted financial assets		89,486	–	–	89,486
<b>Financial liabilities:</b>					
<u>Non-derivative</u>					
Borrowings	28	403,617	–	–	403,617
Interest payable on borrowings		198	–	–	198
Trade and other payables	29	141,519	–	–	141,519
Total undiscounted financial liabilities		545,334	–	–	545,334
Total net undiscounted financial liabilities		(455,848)	–	–	(455,848)

## Notes to the Financial Statements (cont'd)

### 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
<b>At 31 December 2016</b>					
<b>Financial assets:</b>					
<u>Non-derivative</u>					
Trade receivables	23	30,729	–	–	30,729
Other receivables	24	24,084	–	–	24,084
Cash, bank balances and deposits	26	70,871	–	–	70,871
Total undiscounted financial assets		125,684	–	–	125,684
<b>Financial liabilities:</b>					
<u>Non-derivative</u>					
Borrowings	28	289,187	–	–	289,187
Interest payable on borrowings		186	–	–	186
Trade and other payables	29	205,738	–	–	205,738
<u>Derivative</u>					
Forward currency contracts	33	2,676	–	–	2,676
Total undiscounted financial liabilities		497,787	–	–	497,787
Total net undiscounted financial liabilities		(372,103)	–	–	(372,103)

## Notes to the Financial Statements (cont'd)

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### 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 minimised 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 (2016: 90 days) when they fall due.

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.

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## Notes to the Financial Statements (cont'd)

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (d) Credit risk (cont'd)

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

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 GST recoverable). The 12-month expected credit losses have taken into consideration historical loss rate statistics for debts with similar 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% (2016: 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.

#### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposures to credit risk are represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group has a concentration of credit risk that may arise from exposure to a single debtor which constitutes approximately 39.9% (2016: 24.9%) of its trade receivables and 6.3% (2016: 9.6%) of its other receivables (excluding GST recoverable).

## Notes to the Financial Statements (cont'd)

### 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 GST recoverable) at the reporting date were as follows:

	2017		2016	
	RM'000	% of total	RM'000	% of total
<b>Group</b>				
By country:				
Malaysia	5,526	45	2,801	8
Germany	2,453	20	6,024	19
United Kingdom	1,443	12	3,900	12
Taiwan and China, including Hong Kong	1,280	10	10,248	32
Switzerland	910	7	99	–
Belgium	264	2	–	–
Countries in Africa continent	80	1	869	3
Japan	–	–	7,667	24
Others	394	3	550	2
	<b>12,350</b>	<b>100</b>	<b>32,158</b>	<b>100</b>
<b>Company</b>				
By country:				
Malaysia	23,492	77	25,456	46
Germany	2,453	8	6,024	11
United Kingdom	1,443	5	3,900	7
Taiwan and China, including Hong Kong	1,280	4	10,248	19
Switzerland	910	3	99	–
Belgium	264	1	–	–
Countries in Africa continent	80	–	869	2
Japan	–	–	7,667	14
Others	394	2	550	1
	<b>30,316</b>	<b>100</b>	<b>54,813</b>	<b>100</b>

#### **Financial assets that are neither past due nor impaired**

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 23. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and have 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.

## Notes to the Financial Statements (cont'd)

### 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.

#### (f) Market price risk

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

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments outside Malaysia are listed on Toronto Venture Exchange in Canada. These instruments are classified as financial assets at FVOCI.

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 equity at the reporting date:

	2017 Increase/ (Decrease) in equity RM'000	2016 Increase/ (Decrease) in equity RM'000
Share price increased by 5%	806	890
Share price decreased by 5%	(806)	(890)



## Notes to the Financial Statements (cont'd)

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (g) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the various core businesses. The Group allocates the amount of capital in proportion to risk, manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or increase borrowings. The Group monitors the return of capital, which is defined as total shareholders' equity (excluding non-controlling interests), and gearing ratio, which is defined as total borrowings over total equity.

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

	Group	
	2017 RM'000	2016 RM'000
Share capital	174,666	100,000
Share premium	–	76,372
Other reserves	43,651	38,383
Retained earnings	72,439	64,334
Total shareholders' equity	290,756	279,089
Non-controlling interests	293	294
Total equity	291,049	279,383
Total borrowings (Note 28)	452,781	339,469
Gearing ratio (as defined above)	1.6	1.2

## Notes to the Financial Statements (cont'd)

### 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:

Group	Date of valuation	Quoted prices in active markets for identical instruments (Level 1) RM'000	Significant other observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
<b>At 31 December 2017</b>					
<b>Assets measured at fair value:</b>					
Investment securities (Note 20)					
- Equity instruments (quoted)	31.12.2017	21,205	-	-	21,205
Revalued freehold land and buildings (Note 15)					
- Land and tin smelting industrial complex in Butterworth	31.12.2017	-	-	40,998	40,998
- Land and buildings in Pulau Indah Industrial Park	31.12.2017	-	-	34,770	34,770
- Office lots in Kuala Lumpur	31.12.2017	-	-	6,750	6,750
- 80 units flats in Bukit Mertajam	31.12.2017	-	-	4,496	4,496
- Land and buildings in Daerah Hulu Perak	31.12.2017	-	-	2,514	2,514
Derivative financial assets (Note 33)					
- Forward currency contracts	31.12.2017	-	375	-	375
		21,205	375	89,528	111,108
<b>Liabilities measured at fair value:</b>					
Derivative financial liabilities (Note 33)					
- Forward currency contracts	31.12.2017	-	2,458	-	2,458

## Notes to the Financial Statements (cont'd)

### 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
<b>Group</b>					
<b>At 31 December 2016</b>					
<b>Assets measured at fair value:</b>					
Investment securities (Note 20)					
- Equity instruments (quoted)	31.12.2016	23,423	-	-	23,423
Revalued freehold land and buildings					
- Land and tin smelting industrial complex in Butterworth	31.12.2016	-	-	37,777	37,777
- Land and buildings in Pulau Indah Industrial Park	31.12.2016	-	-	32,396	32,396
- Office lots in Kuala Lumpur	31.12.2016	-	-	6,750	6,750
- 80 units flats in Bukit Mertajam	31.12.2016	-	-	4,400	4,400
- Land and buildings in Daerah Hulu Perak	31.12.2016	-	-	2,432	2,432
		23,423	-	83,755	107,178
<b>Liabilities measured at fair value:</b>					
Derivative financial liabilities (Note 33)					
- Forward currency contracts	31.12.2016	-	3,523	-	3,523

#### 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)

## Notes to the Financial Statements (cont'd)

### 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 RM'000	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of the input to fair value
<b>Group</b>					
<b>At 31 December 2017</b>					
Revalued freehold land and buildings (Note 15)	89,528	Market comparable approach/ Depreciated replacement cost	Difference in location, time factor and size	-25.0% to 30.0%	Every 1% increase or (decrease) in the adjustments would result in increase or (decrease) in fair value by RM27,000.
<b>At 31 December 2016</b>					
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.

## Notes to the Financial Statements (cont'd)

### 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 RM'000	Leasehold land RM'000	Buildings RM'000
At 1 January 2017	30,095	24,619	29,041
Additions	-	-	2,491
Revaluation adjustments	6,574	-	(3,343)
Depreciation charge for the year	-	(309)	(1,797)
Elimination of accumulated depreciation on revaluation	-	360	1,797
At 31 December 2017	<b>36,669</b>	<b>24,670</b>	<b>28,189</b>
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	<b>30,095</b>	<b>24,619</b>	<b>29,041</b>

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 December 2017.

(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

## Notes to the Financial Statements (cont'd)

### 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 (cont'd)**

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.

#### **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.

## Notes to the Financial Statements (cont'd)

### 38. SEGMENTAL INFORMATION (CONT'D)

#### Business segments (cont'd)

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

Note	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
<b>2017</b>					
<b>Revenue</b>					
Sales to external customers	1,436,177	-	-	-	1,436,177
Inter-segment sales	-	183,518	-	(183,518)	-
Total revenue	1,436,177	183,518	-	(183,518)	1,436,177
<b>Results</b>					
(Loss)/Profit from operations	(6,407)	47,725	(89)	2,704	43,933
Reversal of impairment losses	-	-	129	-	129
Finance costs	(13,057)	(1,022)	(639)	-	(14,718)
Share of results of associates and joint ventures	-	-	(1,109)	-	(1,109)
(Loss)/Profit before tax	(19,464)	46,703	(1,708)	2,704	28,235
Income tax credit/(expense)	655	(12,137)	-	(649)	(12,131)
(Loss)/Profit net of tax	(18,809)	34,566	(1,708)	2,055	16,104
<b>At 31 December 2017</b>					
<b>Assets</b>					
Segment assets	751,967	69,548	21,212	(2,877)	839,850
Investment in associates and joint ventures	-	-	34,568	-	34,568
Total assets	751,967	69,548	55,780	(2,877)	874,418
<b>Liabilities</b>					
Segment liabilities	526,030	57,296	43	-	583,369

## Notes to the Financial Statements (cont'd)

### 38. SEGMENTAL INFORMATION (CONT'D)

#### Business segments (cont'd)

	Note	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
<b>2017</b>						
<b>Other segment information</b>						
Additions of non-current assets						
- Property, plant and equipment	15	9,020	1,314	-	-	10,334
- Intangible and other non-current assets	17/21	-	426	65	-	491
Depreciation	4	6,795	6,247	-	-	13,042
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	24	-	32
Amortisation of mine properties	4	-	1,006	-	-	1,006
Interest income	6	(1,493)	(166)	-	-	(1,659)



## Notes to the Financial Statements (cont'd)

### 38. SEGMENTAL INFORMATION (CONT'D)

#### Business segments (cont'd)

	Note	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
<b>2016</b>						
<b>Revenue</b>						
Sales to external customers		1,477,941	-	-	-	1,477,941
Inter-segment sales	8	8	174,366	1,796	(176,170)	-
Total revenue		1,477,949	174,366	1,796	(176,170)	1,477,941
<b>Results</b>						
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
<b>At 31 December 2016</b>						
<b>Assets</b>						
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
<b>Liabilities</b>						
Segment liabilities		468,281	46,899	480	(449)	515,211

## Notes to the Financial Statements (cont'd)

### 38. SEGMENTAL INFORMATION (CONT'D)

#### Business segments (cont'd)

	Note	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
<b>2016</b>						
<b>Other segment information</b>						
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)

## Notes to the Financial Statements (cont'd)

### 38. SEGMENTAL INFORMATION (CONT'D)

The following item was added to segment profit before tax to arrive at profit before tax as disclosed in the consolidated statements of profit or loss:

	2017 RM'000	Group 2016 RM'000
Realised profit/(Unrealised profit) from inter-segment sales	2,704	(6,280)

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

	2017 RM'000	Group 2016 RM'000
Unrealised profit arising from inter-segment sales	(2,877)	(4,932)
Inter-segment assets	-	(449)
	<u>(2,877)</u>	<u>(5,381)</u>

#### 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 two major customers amounted to RM294,326,000 and RM155,496,000 (2016: one major customer amounted to RM236,361,000), arising from sales by the tin smelting segment.

### 39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 27 March 2018.

## 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 Road 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 2017: (RM408,000); 31 December 2016: (RM408,000)) 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 2017: RM133,356,000; 31 December 2016: RM133,356,000) were adjusted to retained earnings.

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

Singapore FRSs do not provide for these MFRS 1 optional exemptions. The reconciliations of equity at the reporting date and for comparative period from MFRSs to Singapore FRSs are provided below:

### Reconciliation of equity as at 31 December 2017

	MFRS as at 31.12.2017 RM'000	Note (a) Foreign currency translation reserves RM'000	Singapore FRS as at 31.12.2017 RM'000
<b>Group</b>			
<b>Equity</b>			
Foreign currency translation reserves	1,273	408	1,681
Retained earnings	72,439	(408)	72,031
	MFRS as at 31.12.2017 RM'000	Note (b) Investment in subsidiaries RM'000	Singapore FRS as at 31.12.2017 RM'000
<b>Company</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	148,681	(133,356)	15,325
<b>Equity</b>			
Retained earnings/(Accumulated losses)	116,988	(133,356)	(16,368)

### 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
<b>Group</b>			
<b>Equity</b>			
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
<b>Company</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	148,681	(133,356)	15,325
<b>Equity</b>			
Retained earnings/(Accumulated losses)	94,678	(133,356)	(38,678)

## LIST OF PROPERTIES OF THE GROUP

31 December 2017

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net carrying amount at 31.12.17 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	-	13 to over 50 years	40,982	31.12.2017
(b) Lot 268	Land with car park shed	45,575 sq. ft.	Leasehold	2028	30 years	262	31.12.2017
(c) PT 686	Seabed leases with main wharf	15,000 sq. ft.	Leasehold	2069	NA	95	31.12.2017
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	16 years	34,770	31.12.2017
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	-	18 years	3,150	31.12.2017
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	-	18 years	3,600	31.12.2017

## List of Properties of the Group 31 December 2017 (cont'd)

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net carrying amount at 31.12.17 RM'000	Date of last revaluation
5. Taman Desa Palma, Alma 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	-	17 years	4,496	31.12.2017
6. Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	-	over 50 years	290	31.12.2017
(b) Lot 2071, 55502, 55503 & 55504, PT 3934, 4338, 4522 & 4523	Land with buildings	7.02 hectares	Leasehold	2068-2112	36 to over 50 years	1,474	31.12.2017
(c) PT 1705, 1706 & 1707	3 units of terrace houses	417 sq. m	Leasehold	2108	7 years	525	31.12.2017
(d) Lot 55671 and 55675 (formerly PT 5022 and 5026)	2 units of semi-detached houses	526 sq. m	Freehold	-	4 years	600	31.12.2017
7. Mukim Belukar Semang Daerah Hulu Perak							
(a) Lot 1886	Vacant land	0.4 hectares	Freehold	-	-	20	31.12.2017
(b) PT 725, 726, 727	Land with buildings	7.01 hectares	Leasehold	2022	-	4	31.12.2017

## ANALYSIS OF SHAREHOLDINGS

(as at 2 April 2018)

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	0.59	422	0.00
100 to 1,000	1,601	44.65	1,029,396	1.03
1,001 to 10,000	1,429	39.85	6,320,133	6.32
10,001 to 100,000	462	12.88	14,450,115	14.45
100,001 to less than 5% of issued shares	70	1.95	27,339,134	27.34
5% and above of issued shares	3	0.08	50,860,800	50.86
<b>TOTAL</b>	<b>3,586</b>	<b>100.00</b>	<b>100,000,000</b>	<b>100.00</b>

### DIRECTORS' SHAREHOLDINGS

Directors	Direct Interest		Deemed Interest	
	No. of Shares held	%	No. of Shares held	%
Ms. Chew Gek Khim	400,000	0.40	–	–
Mr. Chia Chee Ming, Timothy	–	–	–	–
Dato' Ng Jui Sia	6,000	0.006	–	–
Mr. John Mathew A/L Mathai	–	–	–	–
Mr. Yap Chee Keong	–	–	–	–
Dato' Robert Teo Keng Tuan	–	–	88,000	0.088



## Analysis of Shareholdings (as at 2 April 2018) (cont'd)

### 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. Leong Kok Tai	1,240,900	1.24
7. Neoh Choo Ee & Company Sdn Berhad	1,150,000	1.15
8. Lim Khoon	999,800	1.00
9. Quarry Lane Sdn Bhd	860,000	0.86
10. Lee Pin	829,000	0.83
11. Toh Yew Keong	660,000	0.66
12. Dynaquest Sdn Berhad	600,000	0.60
13. Lim Kian Siong	593,100	0.59
14. Au Yong Mun Yue	575,000	0.58
15. Chua Ah Moi @ Chua Sai Peng	418,000	0.42
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. Tan Lee Hwa	393,000	0.39
21. Pui Cheng Wui	382,300	0.38
22. Affin Hwang Nominees (Asing) Sdn Bhd Exempt an for DBS Vickers Securities (Singapore) Pte Ltd	376,900	0.38
23. Au Yong Mun Yue	375,000	0.38
24. Lim Kian Siong	373,000	0.37
25. Synergy Motion Sdn Bhd	359,000	0.36
26. Ng Poh Cheng	333,600	0.33
27. CIMSEC Nominees (Tempatan) Sdn Bhd Exempt an for CIMB Securities (Singapore) Pte Ltd	317,000	0.32
28. Lim Bee San	309,300	0.31
29. CGS-CIMB Securities (S) PL	306,534	0.31
30. Liew Ben Poh	300,000	0.30

## Analysis of Shareholdings (as at 2 April 2018) (cont'd)

### LIST OF SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares held	%	No. of Shares held	%
The Straits Trading Company Limited	28,090,000	28.09	26,755,800*1	26.76
Straits Trading Amalgamated Resources Sdn Bhd	17,374,500	17.37	–	–
Sword Investments Pte Ltd	5,396,300	5.40	–	–
Tan Chin Tuan Pte Ltd	–	–	54,845,800*2	54.85
The Cairns Pte Ltd	–	–	54,845,800*2	54.85
Tecity Pte Ltd	–	–	54,845,800*2	54.85
Raffles Investments Pte Ltd	–	–	54,845,800*2	54.85
Aequitas Pte Ltd	–	–	54,845,800*2	54.85
Dr Tan Kheng Lian	–	–	54,845,800*3	54.85

#### Notes:-

- \*1 Held through Straits Trading Amalgamated Resources Sdn Bhd, Sword Investments Pte Ltd, Baxterley Holdings Pte Ltd and Redring Solder (Malaysia) Sdn Bhd
- \*2 Tan Chin Tuan Pte Ltd, The Cairns Pte Ltd, Tecity Pte Ltd, Raffles Investments Pte Ltd and Aequitas Pte Ltd hold not less than 20% of the voting shares in The Straits Trading Company Limited. Tan Chin Tuan Pte Ltd is the ultimate holding company for The Straits Trading Company Limited
- \*3 Dr Tan Kheng Lian holds not less than 20% of the voting shares in Tan Chin Tuan Pte Ltd

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# 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 CORPORATION 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-Ninth Annual General Meeting ("AGM") of the Company to be held at Meeting Hall, Lot 8, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia on Wednesday, 30 May 2018 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 4 sen per share in respect of the financial year ended 31 December 2017.	Ordinary Resolution 1		
2.	To approve the Directors' Fees of the Company of RM537,647.93 for the financial year ended 31 December 2017.	Ordinary Resolution 2		
4.	Re-election of Mr John Mathew A/L Mathai as Director.	Ordinary Resolution 3		
5.	Re-election of Dato' Robert Teo Keng Tuan as Director.	Ordinary Resolution 4		
6.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.	Ordinary Resolution 5		
7.	Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary Resolution 6		

(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 ....., 2018

\_\_\_\_\_  
Signature/Common Seal of Shareholder

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	<u>No. of shares</u>	<u>Percentage</u>
Proxy 1		%
Proxy 2		%
Total		100%

## 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 Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia 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 24 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote on poll.



Fold this flap for sealing

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AFFIX  
STAMP

**MALAYSIA SMELTING CORPORATION BERHAD** (43072-A)  
Lot 6, 8 & 9, Jalan Perigi Nanas 6/1  
Pulau Indah Industrial Park  
West Port, Port Klang  
42920 Pulau Indah  
Selangor  
Malaysia

1st fold here

*Registered Office*

Lot 6, 8 and 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park  
West Port, Port Klang, 42920 Pulau Indah, Selangor, Malaysia  
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