

# MSC

Malaysia Smelting Corporation Berhad

[197801006055 (43072-A)]



towards greater  
**EXCELLENCE**

20 **20** ANNUAL REPORT

## ... 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 chain - 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**



**RESPECT FOR THE ENVIRONMENT  
AND THE HEALTH AND SAFETY OF ITS  
EMPLOYEES**



**ADDING VALUE THROUGH INNOVATION  
AND CONTINUOUS IMPROVEMENT**



**CREATING SUSTAINABLE  
SHAREHOLDER VALUE THROUGH  
QUALITY OPERATIONS**



**GLOBAL PERSPECTIVE AND  
COMPETITIVE SPIRIT**

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# EMBRACING A VIBRANT WORK CULTURE

... **CONDUCTING  
CAREER  
DEVELOPMENT  
PROGRAMMES**



... **RECOGNISING  
EMPLOYEE  
CONTRIBUTIONS**



... **PROVIDING  
REWARDS &  
INCENTIVES**



... **CULTIVATING A  
SAFE WORK  
ENVIRONMENT**



- ... 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. Malaysia Smelting Corporation Berhad ("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.

## CORPORATE PROFILE

# A GLOBAL INTEGRATED TIN MINING AND SMELTING GROUP

The MSC Group is currently one of the world's leading integrated producer of tin metal and tin-based products and a global leader in custom tin smelting since 1887. In 2020, the Group produced 22,325 tonnes of tin metal making it the third largest supplier of tin metal in the world. The Group's smelting facility in Butterworth operates one of the largest smelting plants in the world converting primary, secondary and often complex tin bearing ores into high purity tin metal for a wide range of industrial applications.

MSC Straits Refined tin brand is registered at London Metal Exchange ("LME") and Kuala Lumpur Tin Market ("KLTM"). The brand is accepted worldwide and has purity ranging from the Standard Grade A (99.85% Sn) to the premium grade electrolytic tin (99.99% Sn).

In November 2004, MSC expanded upstream in mining through the acquisition of Rahman Hydraulic Tin Sdn Bhd ("RHT"), Malaysia's long established and largest operating open-pit tin mine. Since the takeover, extensive work has been carried out covering mining, pit operation and improvement to the milling/concentrator circuits. This has transformed RHT to become a sustainable and a significant tin producer, incorporating international best mining and energy efficiency practices.

The year 2020 heralded the commissioning of the ISASMELT furnace located at its Port Klang smelter. The incorporation of the Top Submerged Lance (TSL) technology for tin smelting is expected to raise MSC's throughput and processing efficiency. Most of the refurbishment work at the Port Klang smelter was completed in 2020 and the transition process is ongoing. The new smelter's location is equally strategic due to its proximity to the port and LME warehouse.

In the areas of research and development, MSC, as a co-founder and board member of International Tin Association ("ITA"), continues to support ITA's initiatives among other things to rigorously pursue research and development to thrust tin as an environmentally friendly metal. Tin has already proven its mettle in a wide range of applications including chemical, medical, energy and others.

In order to realize its vision to reduce carbon footprint, MSC is continuously expanding its solar panel capacity at its Port Klang smelter to harness power from renewable sources. Meanwhile part of the power required for mining at RHT is generated by 2 mini hydro power stations which is a further testimony of MSC's commitment to environmental protection.

MSC's niche expertise in tin is continuously being strengthened in all areas over the entire global tin supply chain covering geology, mining, mineral processing, smelting and marketing.

MSC will pursue its growth strategy on its core business in tin through strategic acquisitions and organic growth where its core expertise can add value particularly in increasing operating efficiencies, innovating products and services to ensure its continued leadership position in the industry.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Ms. Chew Gek Khim PJC**  
*Chairman, Non-Independent  
Non-Executive Chairman*

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

**Dato' Robert Teo Keng Tuan**  
*Independent Non-Executive Director*

**Mr. John Mathew A/L Mathai**  
*Independent Non-Executive Director*

**Datuk Kamaruddin Bin Taib**  
*Independent Non-Executive Director*

**Dato' Dr. Ir. Patrick Yong Mian Thong**  
*Executive Director*

### AUDIT & RISK MANAGEMENT COMMITTEE

- Dato' Robert Teo Keng Tuan  
*(Chairman)*
- Ms. Chew Gek Khim
- Mr. Chia Chee Ming, Timothy

### NOMINATING & REMUNERATION COMMITTEE

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

### COMPANY SECRETARY

- Ms. Wong Youn Kim  
SSM PC No. 201908000410  
(MAICSA 7018778)

### KEY PERSONNEL

- Dato' Dr. Ir. Patrick Yong Mian Thong  
*(Group Chief Executive Officer/  
Executive Director)*
- Mr. Nicolas Chen Seong Lee  
*(Deputy Chief Executive Officer  
(Administration))*
- Mr. Lam Hoi Khong  
*(Group Chief Financial Officer)*
- Ir. Raveentiran A/L Krishnan  
*(Group Chief Operating Officer,  
Smelting)*
- En. Madzlan Bin Zam  
*(Executive Director & Senior General  
Manager, Rahman Hydraulic Tin Sdn.  
Bhd.)*
- Mr. Yoon Choon Kong  
*(Group Internal Auditor)*

### 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

### 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: [misc@msmelt.com](mailto:misc@msmelt.com)

### SHARE REGISTRARS

#### ■ MALAYSIA

Boardroom Share Registrars Sdn. Bhd.  
11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor, Malaysia  
Tel No: (603) 7890 4700  
Fax No: (603) 7890 4670

#### ■ SINGAPORE

Tricor Barbinder Share Registrar  
Services  
(A division of Tricor Singapore Pte. Ltd.)  
80 Robinson Road  
#02-00, Singapore 068898  
Tel: (65) 6236 3333  
Fax: (65) 6236 3405

### AUDITORS

Ernst & Young PLT  
Level 23A Menara Milenium  
Jalan Damanela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia  
Tel: (603) 7495 8000  
Fax: (603) 2095 5332

### PRINCIPAL BANKERS

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

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Mainboard of Singapore Exchange  
Securities Trading Limited

## KEY FINANCIAL HIGHLIGHTS

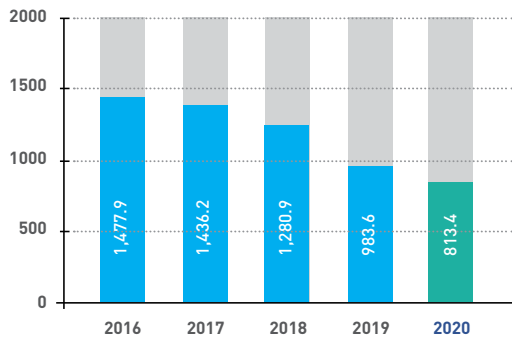
		Year ended 31 December				
		2020	2019	2018	2017	2016
Revenue	(RM Mil)	<b>813.4</b>	983.6	1,280.9	1,436.2	1,477.9
Profit before tax	(RM Mil)	<b>24.2</b>	44.7	49.8	28.2	49.5
Income tax expense	(RM Mil)	<b>(9.5)</b>	(14.0)	(15.5)	(12.1)	(15.2)
Profit attributable to the owners of the Company	(RM Mil)	<b>15.2</b>	30.7	34.3	16.1	34.3
Total assets	(RM Mil)	<b>994.5</b>	824.3	842.9	874.4	794.6
Net current assets	(RM Mil)	<b>191.8</b>	203.5	158.9	76.9	114.0
Equity attributable to the owners of the Company	(RM Mil)	<b>393.5</b>	368.9	348.0	290.8	279.1
Earnings per share	(sen)	<b>4</b>	8	9	4 <sup>(1)</sup>	9 <sup>(1)</sup>
Dividend per share	(sen)	<b>1<sup>(2)</sup></b>	2	2	1 <sup>(1)</sup>	2 <sup>(1)</sup>
Net assets per share attributable to the owners of the Company	(sen)	<b>98</b>	92	87	73 <sup>(1)</sup>	70 <sup>(1)</sup>
Pre-tax profit on average equity attributable to the owners of the Company	(%)	<b>6</b>	12	16	10	19

<sup>(1)</sup> The figures have been adjusted to reflect the share split and bonus issue exercises completed on 15 August 2018 for comparative purposes.

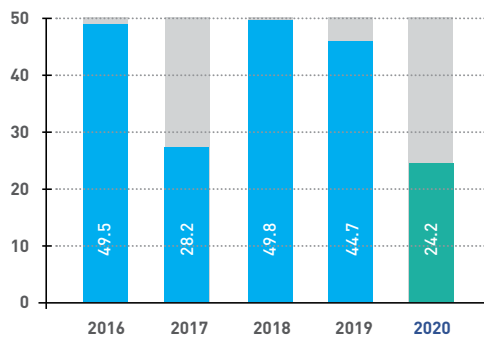
<sup>(2)</sup> Subject to the approval of the members at the forthcoming Annual General Meeting.

# KEY FINANCIAL HIGHLIGHTS

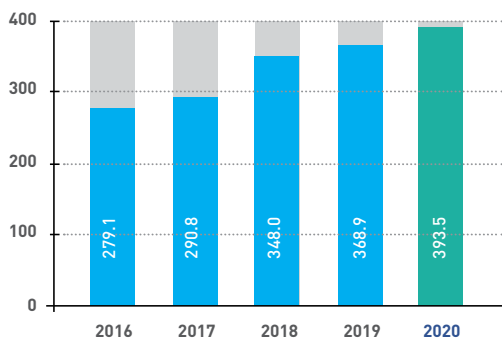
## REVENUE (RM MIL)



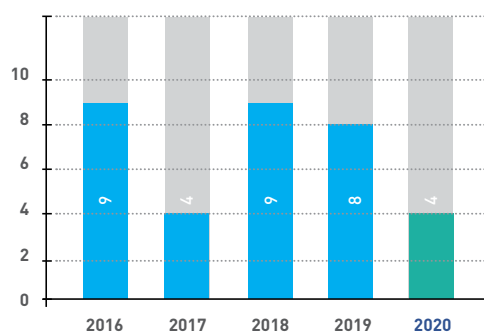
## PROFIT BEFORE TAX (RM MIL)



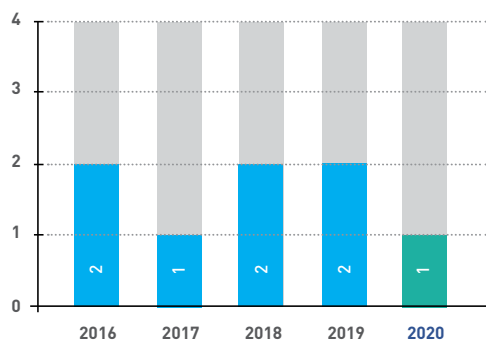
## EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (RM MIL)



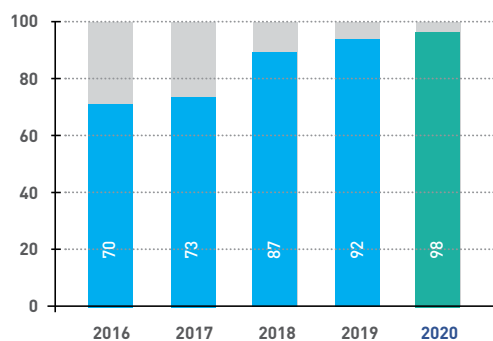
## EARNINGS PER SHARE (SEN)



## DIVIDEND PER SHARE (SEN)



## NET ASSETS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (SEN)



## PROFILE OF DIRECTORS

### MS. CHEW GEK KHIM <sup>PJG</sup>

Non-Independent  
Non-Executive Chairman

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



**Age:** 59

**Gender:** Female

**Nationality:**  
Singaporean

**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 appointed as a member of the Nominating & Remuneration Committee and Audit & Risk Management Committee of the Company on 20 May 2016 and 30 May 2018 respectively.

Ms. Chew is a lawyer by training. She has been Chairman of The Straits Trading Company Limited 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 Boards of ARA Asset Management Holdings Pte. Ltd. and Singapore Exchange Limited. Ms. Chew is Deputy Executive Chairman of Tan Chin Tuan Foundation in Singapore. She is a Member of the Honour (Singapore) Ltd., S. Rajaratnam School of International Studies Board of Governors and National University of Singapore Board of Trustees. She was the Chairman of the National Environment Agency Board of Singapore from 2008 to 2015.

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

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

### MR. CHIA CHEE MING, TIMOTHY

Senior Independent Director

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



**Age:** 71

**Gender:** Male

**Nationality:**  
Singaporean

**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 appointed as the Chairman of the Nominating & Remuneration Committee and a member of the Audit & Risk Management Committee of the Company on 20 May 2016 and 30 May 2018 respectively.

Mr. Chia is Chairman of Hup Soon Global Corporation Private Limited and on 1 January 2020, he was appointed as Chairman of Innoven Capital Pte Ltd. He also sits on the boards of several other private and public companies, including The Straits Trading Company Limited and Banyan Tree Holdings Ltd as their Lead Independent Director, Fraser and Neave Limited, Singapore Power Limited, Vertex Venture Holdings Ltd., Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC and Thai Beverage Public Company Limited. He is a Member of the Advisory Council and Co-Chair (Singapore) of the ASEAN Business Club and a Member of the Advisory Board of the Asian Civilisations Museum. Mr. Chia is a Trustee of the 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 PowerAssets Limited, PowerGas Limited, InnoTek Limited, QuantuMDx Group Limited and a senior advisor to EQT Funds Management Ltd.. Mr. Chia was also a Member of the Board of Trustees of the Singapore Management University before stepping down in January 2019.

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



## PROFILE OF DIRECTORS

### DATO' ROBERT TEO KENG TUAN

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
- Associate of the Chartered Institute of Taxation, England



**Age:** 71

**Gender:** Male

**Nationality:**  
Malaysian

Dato' Robert Teo Keng Tuan was appointed as an Independent Non-Executive Director of the Company on 17 May 2017. He was appointed as the Chairman of the Audit & Risk Management 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 with its executive office located in London, England. He has approximately forty (40) years' experience in the fields of corporate taxation, accounting, 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 including 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 boards of Symphony Life Berhad, Malaysian-German Chamber of Commerce & Industry and Malaysian Spanish Chamber of Commerce & Industry.

He is also a member of Executive Committees of Malaysia Australia Business Council, Italy Malaysia Business Association and a member of the Board of Trustees of Malaysia Nature Society.

### DATUK KAMARUDDIN BIN TAIB

Independent Non-Executive Director

- Bachelor of Science in Mathematics, University of Salford, United Kingdom



**Age:** 63

**Gender:** Male

**Nationality:**  
Malaysian

Datuk Kamaruddin Bin Taib was appointed as an Independent Non-Executive Director of the Company on 16 November 2018.

He has significant experience in investment banking, corporate finance, mergers and acquisitions. His career started in 1980 with a leading merchant bank in Malaysia. Subsequently, he served as a director of several private companies, companies listed on Bursa Malaysia Securities Berhad and companies listed on the Stock Exchange of India as well as listed on Nasdaq (U.S.A.).

Datuk Kamaruddin is currently the Independent Non-Executive Chairman of GHL Systems Berhad and HSBC Amanah Malaysia Berhad. He is also an Independent Non-Executive Director of Great Eastern General Insurance (Malaysia) Berhad, Fraser & Neave Holdings Berhad, RAM Holdings Berhad, Boost Holdings Sdn. Bhd., FIDE FORUM (Financial Institutions Directors Education FORUM) and DNV GL Malaysia Sdn. Bhd. part of the Global DNV GL Group, which is a leading technical assurance company providing specialised services for the Oil and Gas Industry. He has been with the DNV GL Group since 1995, and retired as its Executive Chairman in June 2017.

## PROFILE OF DIRECTORS

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

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

**Age:** 58**Gender:** Male**Nationality:**  
Malaysian

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 & Remuneration Committee of the Company on 4 April 2016.

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

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

**DATO' DR. IR. PATRICK YONG  
MIAN THONG**Non-Independent Executive  
Director/Group Chief  
Executive Officer

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

**Age:** 68**Gender:** Male**Nationality:**  
Malaysian

Dato' Dr. Ir. Patrick Yong Mian Thong was appointed to as a Chief Executive Officer of the Company on 7 October 2016. Subsequently, he was appointed to the Board of the Company as a Non-Independent Executive Director on 1 June 2018 and redesignated as Group Chief Executive Officer on 1 January 2019.

He started his career as an engineer with the National Electricity Board of Malaysia ("LLN"), as a condition of his scholarship contract. In 1989, Dato' Dr. Ir. Patrick Yong left LLN to pursue his career as a consultant in the field of 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 was subsequently appointed as the Chief Executive Officer of Yokohama Industries Berhad from 2010 to 2015, managing a secondary lead smelter and SLI battery manufacturing.

Dato' Dr. Ir. Patrick Yong does not hold any other directorship in other public 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 2020.

**4. Attendance at Board Meetings**

Details of the Directors' attendance at the Board meetings are set out in the Corporate Governance Overview Statement on page 45 of this Annual Report.

**5. Details of Securities Holdings**

Details of securities holdings in the Company are set out in the Analysis of Shareholdings on page 195 of this Annual Report. None of the directors hold any securities in the Company's subsidiaries.

# PROFILE OF KEY PERSONNEL

## NICOLAS CHEN SEONG LEE

Deputy Chief Executive Officer  
(Administration)

- LL.B (Hons), University of London



**Age:** 48

**Gender:** Male

**Nationality:**  
Malaysian

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 CEO's Office before being redesignated as Deputy Chief Executive Officer (Administration). His primary responsibility is to assist the Group Chief Executive Officer on matters covering legal, corporate, tax, human resource and administration for the MSC Group.

## LAM HOI KHONG

Group Chief Financial Officer

- Bachelor of Business Degree majoring in Accountancy from the University of Southern Queensland, Australia
- Chartered Accountant (CA), Malaysian Institute of Accountants
- Member of the CPA Australia



**Age:** 50

**Gender:** Male

**Nationality:**  
Malaysian

Mr. Lam Hoi Khong was appointed as the Group Chief Financial Officer of the Company on 7 January 2019. He currently oversees the accounting, business support, financial planning and analysis, treasury, investor relations, and tax functions at MSC.

He has more than 25 years of working experience in the areas of finance and accounting, corporate finance, auditing and taxation. He spent his early formative years at PricewaterhouseCoopers before assuming commercial roles as Finance Manager and Financial Controller with a local automotive group and an international group based in Africa respectively, over a period of 7 years from 1997 to 2003.

Following that, Mr. Lam was attached to Petaling Tin Berhad ("PTB"), a property development company listed on the Main Board of Bursa Malaysia Securities Berhad for a period of over 13 years. He joined PTB as General Manager of Finance and Administration in 2003 and was promoted to the role of Chief Financial Officer in 2007 which he held until January 2017.

Prior to joining MSC, Mr. Lam was the Group Chief Financial Officer of Tien Wah Press Holdings Berhad ("TWPH") from February 2017 until November 2018. He was responsible to spearhead the Finance, Corporate and Risk Management functions, and providing strategic directions on commercial aspects of the businesses of TWPH.

## PROFILE OF KEY PERSONNEL

**IR. RAVEENTIRAN A/L KRISHNAN**Chief Operating Officer,  
Smelting

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

**Age:** 57**Gender:** Male**Nationality:**  
Malaysian

Ir. Raveentiran A/L Krishnan has been with MSC for more than 30 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, an integrated mining and tin smelting company located in Bangka, Indonesia the then subsidiary of MSC as the Head of Metallurgy Department. He was involved in the tin smelter expansion during his tenure at PT Koba Tin.

He assumed the position of Production Manager in 2005 upon his return from Indonesia and later as the Works Manager in 2007.

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 cost-effective custom tin smelter. This includes improving the smelter's sustainable sourcing of feed materials through net-working with global tin ore suppliers and major miners. Equally important is improvement to operational efficiency through innovation and introduction of new smelting and refining technologies to give the smelter the flexibility to handle a wide range of tin bearing feed materials.

**EN. MADZLAN BIN ZAM**Executive Director & 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 Ikatan Ahli Geologi, Indonesia (IAGI)
- Member of the Australasian Institute of Mining and Metallurgy
- Member of the Institute of Geology Malaysia
- Member of the Geological Society of Malaysia
- Member of the Malaysian Chamber of Mines

**Age:** 62**Gender:** Male**Nationality:**  
Malaysian

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 and was promoted to Head of Resources & Investments of the Company in May 2015. In 2017, he assumed his current position as the Senior General Manager of Rahman Hydraulic Tin Sdn. Bhd. ("RHT"), a wholly-owned subsidiary of MSC and responsible to oversee the complete operation of RHT and its tin mine at Klian Intan, Perak. At present, he sits on the board of RHT and SL Tin Sdn. Bhd., a subsidiary of RHT.

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 in charge of 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 recognized by the World Bank for the Bankable Feasibility Study of the Taldy-Bulak Gold Project, Kyrgyz Republic.

## PROFILE OF KEY PERSONNEL

### MR. YOON CHOON KONG

Group Internal Auditor

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



**Age:** 66

**Gender:** Male

**Nationality:**  
Malaysian

**Mr. Yoon Choon Kong**, the Group Internal Auditor of MSC, started his career as an auditor at Messrs Sam Ah Chow & Co, Certified Public Accountants. He had joined The Straits Trading Company Limited ("STC"), currently the holding company of MSC, back in 1978 as an Accounting Officer. In 1985 he was promoted to the position of Accountant at MSC and served in that capacity up to 1995 before assuming his present position as the Group Internal Auditor for MSC. Since 2018, he also concurrently holds the portfolio of General Manager, Special Project.

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 40 years.

#### None of the key personnel:

1. Hold any directorship in public companies and listed issuers;
2. Has any family relationship with any Director and/or major shareholder of the Company;
3. Has any conflict of interest with the Company; and
4. Had any conviction for offences (other than traffic offences, if any) within the past five (5) years or been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

# STATEMENT BY THE CHAIRMAN



On behalf of the Board of Directors (“Board”) of Malaysia Smelting Corporation Berhad (“MSC” or “the Group”), I am pleased to present the Annual Report and Audited Financial Statements of MSC for the financial year ended 31 December 2020 (“FY2020”).



**FY2020 NET PROFIT OF  
RM14.7  
MILLION**

## OUR PERFORMANCE IN 2020

2020 has been an unprecedented year for businesses across all sectors with the Covid-19 pandemic and the resultant containment measures disrupting trade and economic activities worldwide. The tin industry’s demand and supply chain was adversely affected by these restrictions, with prolonged geopolitical tensions between China and the United States compounding uncertainties.

In 2020, the global refined tin production dropped by 2% to 328,400 tonnes according to the International Tin Association, as tin mines and smelters halted operations in adherence to respective governments’ directives. Average tin prices during the year fell by 7% to USD17,317/tonne from USD18,616/tonne in 2019.

At MSC, our tin mining and smelting operations temporarily closed following the implementation of Malaysia’s Movement Control Order (“MCO”) on 18 March 2020. Operations resumed with 100% production capacity by 28 April

## STATEMENT BY THE CHAIRMAN



2020, with the enforcement of the Conditional MCO. Against a demanding market backdrop, MSC remained resilient and registered a net profit of RM14.7 million on the back of Group revenue of RM813.4 million in FY2020.

We strive to reward the Group's shareholders by distributing consistent dividend payments. For FY2020, the Board has proposed a first and final single-tier dividend of 1 sen per share, amounting to RM4 million of dividend payable. This translates to a dividend payout ratio of 26%.

### POISED FOR GROWTH

The outlook for the tin industry remains robust, underpinned by the metal's diverse usages. The main usage of tin is still in solders connecting electronic components, making up almost half of the global tin demand. Going into 2021, we have witnessed, in China, a strong rebound in the manufacture of tin solder for the semiconductor market and electronics, due to the rising demand for consumer electronics, such as smartphones, home appliances, and computing devices, among others, as the work/study-from-home trend continues.

As tin consumption recovers, tin prices have soared, making tin the best performing base metal on the London Metal Exchange ("LME"), with the LME 3-month tin price hitting a 10-year high of USD27,310/tonne in February 2021. Low inventories and tightness in the global tin supply chain arising from shipping constraints have also pushed tin prices upwards to record highs.

As we move forward, tin is set to become a major beneficiary of the Fourth Industrial Revolution, with the metal playing a key role in binding the machines and appliances. Apart from that, there are also opportunities in future 5G-related markets to support solder growth. Meanwhile, research on tin's energy storage and generation capabilities have found new market prospects for the metal in various applications such as for lithium-ion batteries in electric vehicles, as well as in green technology.

At MSC, we are poised to benefit from the recovery of the tin market, in line with improving consumer sentiment. For the smelting segment, our strategy is clear as we position the Group for sustained growth with the relocation of smelting activities to the more modern Pulau Indah plant in Port Klang, Selangor. The new facility is equipped with a state-of-the-art and energy-efficient Top Submerged Lance furnace, which is anticipated to increase our extractive yield by 50% while lowering the Group's ecological footprint. The furnace also requires lower manpower, which will bring down the Group's operational costs.

For our mining segment, we are focusing on enhancing our mining productivity at the Group's tin mine in Klian Intan, Perak. The Group has introduced several measures at the tin mine, such as the mechanisation of processes, to further increase efficiencies. At Sungai Lembing, RHT's 80%-owned subsidiary, SL Tin Sdn. Bhd., has commenced mining activities with minimal tin ore production.

At the same time, we are looking forward to unlocking the value of the Group's 13.9 acres of land in Butterworth, as we relocate smelting operations to Pulau Indah. The existing smelting plant site, together with the adjacent 26.2 acres owned by MSC's parent company, The Straits Trading Company Limited, are slated for development into mixed and residential development projects.

## STATEMENT BY THE CHAIRMAN

With our plans in place, we remain positive on the Group’s long-term outlook as we strive to sustain MSC’s position as one of the world’s leading integrated tin group.

### SUSTAINABLE CORPORATE PRACTICES

The Board of MSC recognises the importance of balancing the Group’s commercial objectives with environmental and social considerations. Hence, we seek to optimise the value created for stakeholders, with a strong focus on good corporate governance and sustainable initiatives.

In FY2020, the Group invested approximately RM6.7 million in environmental initiatives across the tin mining and tin smelting operations, covering the management of water and energy resources, as well as waste materials.

With the outbreak of Covid-19, the Group swiftly adapted to new norms ensuring minimal disruptions to our processes, while following the relevant authorities’ strict standard operating procedures. Safety measures were implemented across the Group to safeguard the health of our employees during this time, with high priorities on hygiene and sanitation.

At MSC, we are aware of our corporate responsibility and aim to be a positive driving force in the community. During the year, we continued to contribute to the local economies of where we operate through the creation of job and economic opportunities, in addition to charitable donations.

The Group’s efforts in relation to sustainability are further elaborated in our Sustainability Statement of this Annual Report.

### ACKNOWLEDGEMENTS

On behalf of the Board, I wish to extend my sincere appreciation to the team at MSC, who has been steadfast at adapting to the new operating environment, ensuring MSC remains resilient amid demanding circumstances.

My gratitude also goes out to the Group’s various stakeholders, namely our customers, suppliers, bankers, business partners, and relevant authorities for the continuous support and cooperation.

To my fellow Directors, I am grateful for all your support, guidance, and contribution throughout the year.

Last but not least, to our shareholders, thank you for the confidence and belief placed in the Group. We shall march on to build a stronger foundation for success and deliver greater value to all.

### CHEW GEK KHIM PJG

*Non-Independent Non-Executive Chairman*  
27 April 2021



annual report 2020



**DIVIDEND  
PAYOUT RATIO**  
**26%**



**INVESTED**  
**RM6.7  
MILLION**  
**IN ENVIRONMENTAL  
MANAGEMENT AND  
MONITORING**



# MANAGEMENT DISCUSSION & ANALYSIS

## GROUP BUSINESS OVERVIEW

Malaysia Smelting Corporation Berhad (“MSC” or “the Group”) is one of the world’s leading integrated producers of tin metal and tin-based products. It is involved in the upstream and downstream sectors of the tin industry through its (i) international tin smelting business, and (ii) local tin mining operations. MSC also provides external tolling services and boutique tin sales to end-users.



Malaysia Smelting Corporation Berhad (197801006055 (43072-A))



WE OWN AND OPERATE  
**MALAYSIA'S  
LARGEST**  
HARD ROCK OPEN-PIT TIN  
MINE IN PENGKALAN HULU,  
PERAK

For our upstream operations, the Group owns and operates Malaysia’s largest hard rock open-pit tin mine located in Pengkalan Hulu, Perak. Our mining activities are performed by MSC’s wholly-owned subsidiary, Rahman Hydraulic Tin Sdn. Bhd. (“RHT”), which extracts tin ore from the earth to be processed into tin-in concentrates. These are then used as raw materials for the production of refined tin. The Group also performs mining activities over in Sungai Lembing, Pahang through RHT’s 80%-owned subsidiary, SL Tin Sdn. Bhd.

The tin-in concentrates supplied by RHT make up approximately 10% of the Group’s smelting input. The remaining smelting feed intake is sourced locally from artisanal tin miners or from third-party tin mines located outside Malaysia, such as Africa and Australia, among others.

For the Group’s downstream activities, we undertake smelting activities at our smelting facility in Butterworth, Penang

## MANAGEMENT DISCUSSION & ANALYSIS

using reverberatory furnaces. Over here, we convert tin-bearing ores into high-purity refined tin metal, which are either sold and delivered to customers or to the London Metal Exchange (“LME”) / Kuala Lumpur Tin Market (“KLTM”).

Meanwhile, the relocation of MSC’s smelting operations to a new and more modern smelting facility in Pulau Indah, Port Klang, is expected to be completed by end-2021 or early-2022. With the full commissioning of the new plant that is equipped with a cutting-edge extractive technology, we expect our smelting performance and operational efficiencies to improve.

### OPERATIONAL HIGHLIGHTS

2020 proved to be a challenging year as we navigated through the setbacks posed by the prolonged trade war and Covid-19 pandemic, which disrupted trade and economic activities worldwide.

Adhering to the Movement Control Order (“MCO”) implemented by the Malaysian government, MSC temporarily halted operations on 18 March 2020. Our mining and smelting activities resumed with full capacity by end-April 2020, in line with the easing of restrictions with the Conditional MCO.

During the year, MSC remained resilient against these external headwinds and continued to build a strong foundation in our tin mining and smelting segments.

#### Local Tin Mining Operations

Despite the interim shutdown of mining activities, RHT’s tin-in concentrates production volume grew marginally by 3% to 2,350 tonnes in 2020, as compared to 2,288 tonnes in 2019. The growth is on the back of higher daily output as we explored new deposits and employed new technologies at the mine.

At the existing mine pit in Klian Intan, we have undertaken exploration activities and discovered new tin ore bodies at the adjoining Western side of the mine. As at 1 January 2021, the estimated combined tin ore count of the current and new resources are shown below:

Resources Class	Resources Volume (m <sup>3</sup> )	Grade (KgSn/m <sup>3</sup> )	Contained Tin (tonnes Sn)
Measured	2,538,427	3.248	8,244
Indicated	3,855,864	3.643	14,048
Inferred	13,519,798	1.931	26,111
<b>Total</b>	<b>19,914,089</b>	<b>2.431</b>	<b>48,403</b>

Estimated Tin Resources as at 1 January 2021



→ caption



PRODUCTION VOLUME OF TIN-IN CONCENTRATES  
**2,350 TONNES**

# MANAGEMENT DISCUSSION & ANALYSIS



→ Mobile crusher at RHT mine

→ Aerial view of SL Tin processing plant

The standards and guidelines used in the resources estimation of the new resources complied with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("The JORC Code").

As part of our efforts to enhance operational efficiencies, RHT mechanised the final tin dressing process to replace the previous manually-operated lanchutes. This undertaking has successfully reduced the tin loss at our processing plants, resulting in an increase in RHT's tin ore daily production with lower manpower required. We have also invested in mobile crushers to crush the Western resources ore, which contains harder but higher grade tin, as compared to our existing tin resources.

During the year, we performed infill drilling programs at the immediate northwest of RHT's mine pit aimed at increasing the confidence level of the resources. The resources shall be included in the mine pit design if found economically viable, thus increasing the Group's present mineable resources. This program is expected to be completed in 2021.

At our mine at Sungai Lembing, small-scale mining activities have commenced during the year following the completion of mining infrastructure. At the moment, the tin ore production output remains minimal but is expected to grow with commercial production to begin in 2021. We are also exploring potential joint venture mining arrangements to increase the Group's mining activities.

### International Tin Smelting Business


MSC remains the world's third-largest tin producer with refined tin production of 22,325 tonnes in 2020. Against a tough operating backdrop, we focused on strengthening our competencies to better position the Group to capture arising opportunities.


During the year, we commissioned the Pulau Indah smelter and commenced refining and smelting activities using the rotary furnace. Currently, the Top Submerged Lance ("TSL") furnace is operating at 25% of its designed capacity with smelting production expected to increase gradually to full capacity by end-2021 or early-2022.

Until the new smelter at Pulau Indah reaches a steady state, our smelting operations at the Butterworth facility will continue to run in parallel. As MSC is considered to be the first in the world to retrofit a lead smelter for the purpose of smelting tin, we need to ensure appropriate controls are in place at Pulau Indah before shutting down operations at Butterworth. Until then, there will be duplication of expenses impacting our financial performance.

Malaysia Smelting Corporation Berhad (197801006055 (43072-A))

→ TSL furnace at Pulau Indah plant

...   
 PRODUCTION OF  
 TIN METAL IN 2020  
**22,325**  
**TONNES**

...   
 MSC IS THE WORLD'S  
**THIRD**  
**LARGEST**  
 REFINED TIN PRODUCER

MANAGEMENT DISCUSSION & ANALYSIS




annual report 2020

We expect the Group’s operational and financial performance to improve as we phase out production at Butterworth. The TSL furnace is anticipated to increase the Group’s extractive yields by 50% to 60,000 tonnes of tin-in concentrates per year utilising oxygen enrichment, without incurring additional capital expenditures.

It employs a single-stage smelting process, as compared to the multi-stage smelting process performed by the ageing reverberatory furnaces at Butterworth. This shall improve the Group’s efficiencies and cash flow, as the transition is expected to free up the tin caught in intermediaries built up at Butterworth. Furthermore, the use of natural gas as fuel at Pulau Indah is expected to reduce the Group’s environmental footprint.

The Group’s manpower costs will also decrease following the relocation to Pulau Indah, as the TSL furnace requires fewer workers to manage and handle.

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**TSL FURNACE IS ANTICIPATED TO INCREASE THE GROUP’S EXTRACTIVE YIELDS AND OPERATIONAL EFFICIENCIES**

**FINANCIAL PERFORMANCE REVIEW**

MSC generated total revenue of RM813.4 million in FY2020, as compared to RM983.6 million in FY2019, as the performance was impacted by weaker average tin prices and lower sales quantity of refined tin during the year due to the Covid-19 pandemic. Tin prices averaged 7% lower to USD17,317/tonne in 2020 from USD18,616/tonne in 2019.

## MANAGEMENT DISCUSSION & ANALYSIS

Operating Snapshot	2020	2019
Group's revenue (RM million)	813.4	983.6
Group's profit before tax (RM million)	24.2	44.7
International Tin Smelter		
Production of refined tin	22,325 tonnes	25,752 tonnes
Profit/(Loss) before tax (RM million)	3.9	(38.7)
Tin Mine		
Production of tin-in-concentrates	2,350 tonnes	2,288 tonnes
Profit before tax (RM million)	30.8	88.5
Tin Price		
Average tin market price (USD per tonne)	17,317	18,616

In FY2020, MSC's smelting arm achieved a turnaround, posting a net profit of RM3.2 million from a net loss of RM30.8 million in FY2019. Earnings for the segment were lifted by the reversal of inventories written down amounting to RM7.1 million. To recap, in FY2019, the Group wrote down RM31.1 million of its inventories to net realisable value due to lower tin prices.

Meanwhile, our mining business reported a net profit of RM20.6 million in FY2020, against RM66.7 million in FY2019. The slower performance is mainly attributable to less favourable tin prices and the absence of a one-off reversal of provision for tribute no longer required of RM48.4 million that was recorded in FY2019.

In tandem with the lower revenue, the Group posted a profit before tax of RM24.2 million in FY2020, as compared to RM44.7 million in FY2019. Net profit stood at RM14.7 million for the year under review.

### GROUP FINANCIAL STANDING

Total assets grew to RM994.5 million as at 31 December 2020, from RM824.3 million in FY2019. MSC's inventories stood at RM604.1 million in FY2020 on the back of an increase in tin stock levels due to slower global demand for tin following the pandemic and trade restrictions. Our cash, bank balances, and deposits for the year under review amounted to RM36.8 million.

Trade receivables increased to RM25.6 million as at end-2020 from RM13.7 million in the previous year. We will continue to monitor the collection of receivables through our stringent credit control efforts.

As at 31 December 2020, total borrowings increased to RM478.0 million following drawdown of facilities to fund the Group's working capital requirements, resulting in a higher gearing ratio of 1.2 times, which is within manageable levels. The Group endeavours to manage its financial resources prudently, ensuring the availability of funds to support the Group's business plans.

Shareholders' equity rose to RM393.5 million as at 31 December 2020, mainly attributable to higher retained earnings of RM171.7 million and other reserves amounting to RM21.8 million. This translates to a net assets per share of 98.3 sen.



## MANAGEMENT DISCUSSION &amp; ANALYSIS



CASH, BANK BALANCES  
AND DEPOSITS

**RM36.8  
MILLION**

IN 2020



TOTAL INVENTORIES

**RM604.1  
MILLION**

IN 2020



### REWARDING SHAREHOLDERS

Our efforts to maintain business continuity amid challenging times had enabled MSC to remain profitable and continue delivering value to shareholders. I am pleased to report that despite the tough business environment we faced in 2020, MSC has declared a first and final single-tier dividend of 1 sen per share. This amounts to RM4 million, representing a total dividend payout ratio of 26%. The proposed dividend is subject to shareholders' approval at the upcoming Annual General Meeting.

### PROSPECTS

The tin market is expected to recover in 2021, following the prospects of a rebound in economic activities this year, as the roll-outs of Covid-19 vaccination programmes pick up. In fact, we are seeing rising global tin demand and depleting inventories in the first quarter of 2021, pushing LME 3-month tin prices to a 10-year high of USD27,310/tonne in February 2021. Consumption for the metal is mostly made up of tin solder for electronic devices, with demand boosted by the growing trend of remote work and study arrangements.

Over the long term, tin prospects will be stimulated by new discoveries of applications in emerging areas, such as the electric vehicles and energy storage markets, to name a few. As we move ahead, research findings continue to pave the way for tin's potential role in lithium-ion batteries as a low-cost performance-enhancing component. Keeping this in mind, tin is set to benefit from the expanding adoption of electric vehicles.

Operationally, we remain focused on solidifying the Group's position and enhancing the Group's capabilities. MSC will continue to strengthen our core operations with the move of our smelting activities to the new Pulau Indah facility. The TSL furnace is operational and we expect to ramp up production to full capacity by end-2021 or early-2022.

For our tin mining operations, we look forward to a higher output of tin-in concentrates with the mechanisation of processes and introduction of new machines to enhance mining efficiencies.

With the imminent move to Pulau Indah, the existing smelting plant site in Butterworth covering 13.9 acres, will be developed as residential and commercial projects, along with the adjacent 26.2 acres owned by MSC's parent company, The Straits Trading Company Limited ("STC"). Currently, a master plan for the entire development has been approved with a hotel block already under construction on the land owned by STC.

## MANAGEMENT DISCUSSION & ANALYSIS

Looking ahead, the Group's core fundamentals remain robust with operations on track to achieve solid growth. This is further supported by a strong outlook of the tin market driven by tin's versatile functions in various capacities. In the long run, we strive to reinforce our operations and build a resilient business, to remain as a market leader.

### ANTICIPATED RISKS

#### *Political, economic and regulatory risk*

Developments in political, economic and regulatory conditions may affect MSC's financial and business prospects. This may include changes in political leadership, economic downturn and virus outbreaks, to name a few. In recent years, we have seen geopolitical tensions, such as the US-China trade tension, as well as the Covid-19 pandemic, causing volatile market conditions. In this respect, we keep abreast of the government policies, rules and regulation, as well as the latest developments to ensure compliance.

#### *Volatility in tin price*

Significant fluctuations in tin price may have a material impact on MSC's financial performance and cash flows. Tin prices are affected by various factors beyond the Group's control, including tin supply and demand conditions, as well as government and trade policies, among others. In response to this, the Group has entered into forward commodity contracts that act as a hedge against less favourable price movements. As part of our mitigation measures, we closely monitor tin prices and align our hedging policies accordingly.

#### *Foreign currency rates fluctuations*

We are exposed to foreign exchange risks on transactions and borrowings that are denominated in foreign currencies, primarily in US Dollar and Singapore Dollar. As such, any fluctuation in foreign exchange rates may have an impact on our financial performance. Nonetheless, our exposure remains minimal as we benefit from a natural hedge in our operations with a bulk of our purchases are in US Dollar. To further reduce adverse impact, we also enter into forward currency contracts and monitor our foreign currency risk closely to ensure the net exposure is at an acceptable level.



### ACKNOWLEDGEMENTS

I would like to take this opportunity to thank each and everyone of our stakeholders, including our shareholders, bankers, customers, suppliers, business associates, as well as various regulators and local authorities who worked with us to keep the business running during times of crisis. Your enduring confidence has been instrumental in ensuring the Group's continued success.

My deepest gratitude goes to the team and employees at MSC for coming together during these volatile times and continuing to work hard towards maintaining the Group's resiliency.

Finally, I wish to express my appreciation to the Chairman of the Board and fellow Board members for their dedication and guidance as we continue to forge MSC's path forward.

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

*Group Chief Executive Officer*

*27 April 2021*

# TIN STATISTICS

## Deliveries of Refined Tin from MSC

(Tonnes Refined Tin by reported destination)

Destination	2015	2016	2017	2018	2019	2020
Africa	270	145	693	300	375	<b>450</b>
Australia & New Zealand	–	–	–	–	50	<b>50</b>
China	587	866	848	784	400	<b>1,281</b>
EEC	1,756	2,112	1,931	2,332	2,954	<b>1,244</b>
India, Pakistan & Bangladesh	2,286	2,686	3,832	890	462	<b>625</b>
Japan	3,763	3,517	3,881	3,821	3,812	<b>3,612</b>
Middle East	313	265	503	668	717	<b>933</b>
Taiwan	1,034	1,075	1,025	1,071	1,239	<b>1,717</b>
Korea	6,725	5,824	1,947	889	1,695	<b>1,205</b>
Rest of Asia Pacific	273	15	76	1,667	1,684	<b>2,421</b>
Singapore	45	–	–	–	–	–
South America	215	–	–	–	–	–
USA & Canada	5,125	4,100	5,151	7,923	5,195	<b>1,960</b>
	<b>22,392</b>	<b>20,605</b>	<b>19,887</b>	<b>20,345</b>	<b>18,583</b>	<b>15,498</b>
Malaysia						
For domestic consumption*	7,572	6,375	7,263	6,996	7,090	<b>7,100</b>
	<b>29,964</b>	<b>26,980</b>	<b>27,150</b>	<b>27,341</b>	<b>25,673</b>	<b>22,598</b>

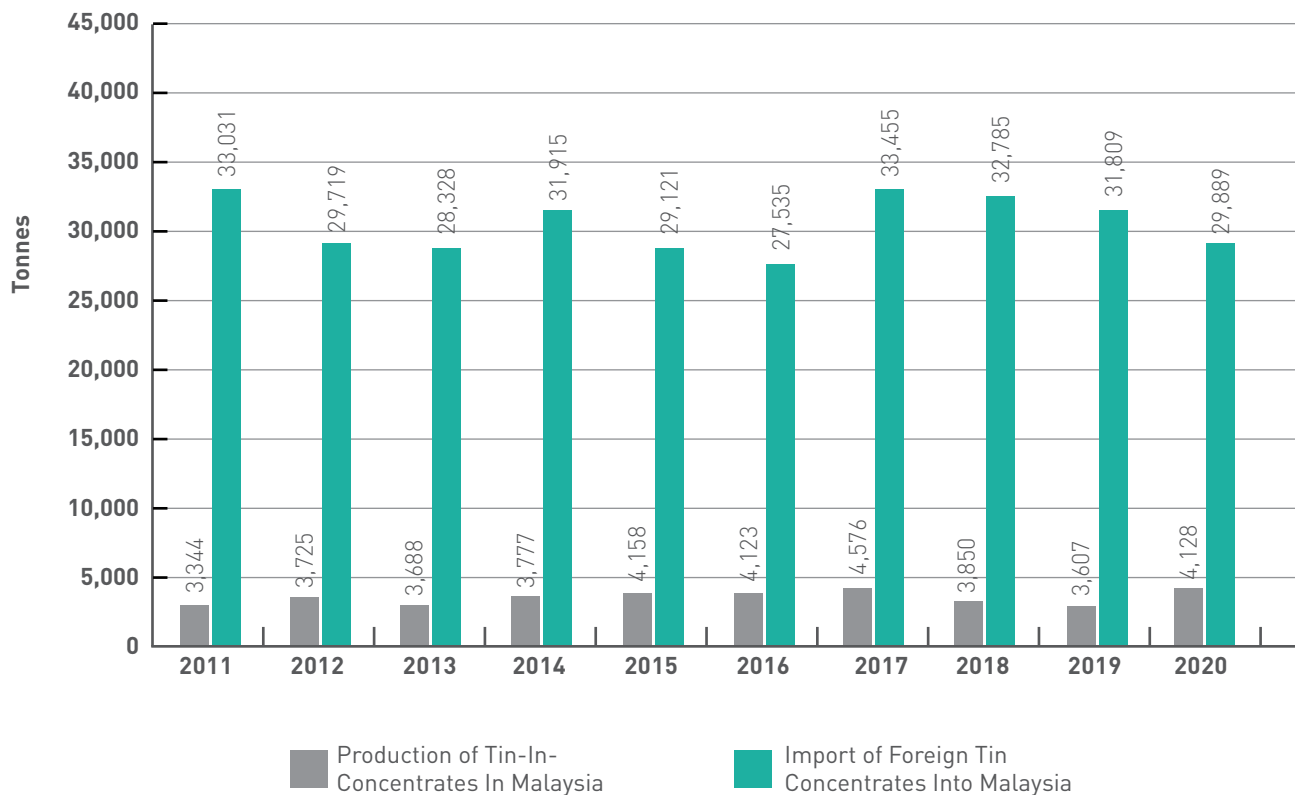
\* Include tin deliveries to LME warehouses in Pasir Gudang and Port Klang



## TIN STATISTICS

YEAR	PRODUCTION OF TIN - IN - CONCENTRATES IN MALAYSIA (TONNES)	IMPORT OF FOREIGN TIN CONCENTRATES INTO MALAYSIA (TONNES)
2011	3,344	33,031
2012	3,725	29,719
2013	3,688	28,328
2014	3,777	31,915
2015	4,158	29,121
2016	4,123	27,535
2017	4,576	33,455
2018	3,850	32,785
2019	3,607	31,809
2020	4,128	29,889

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

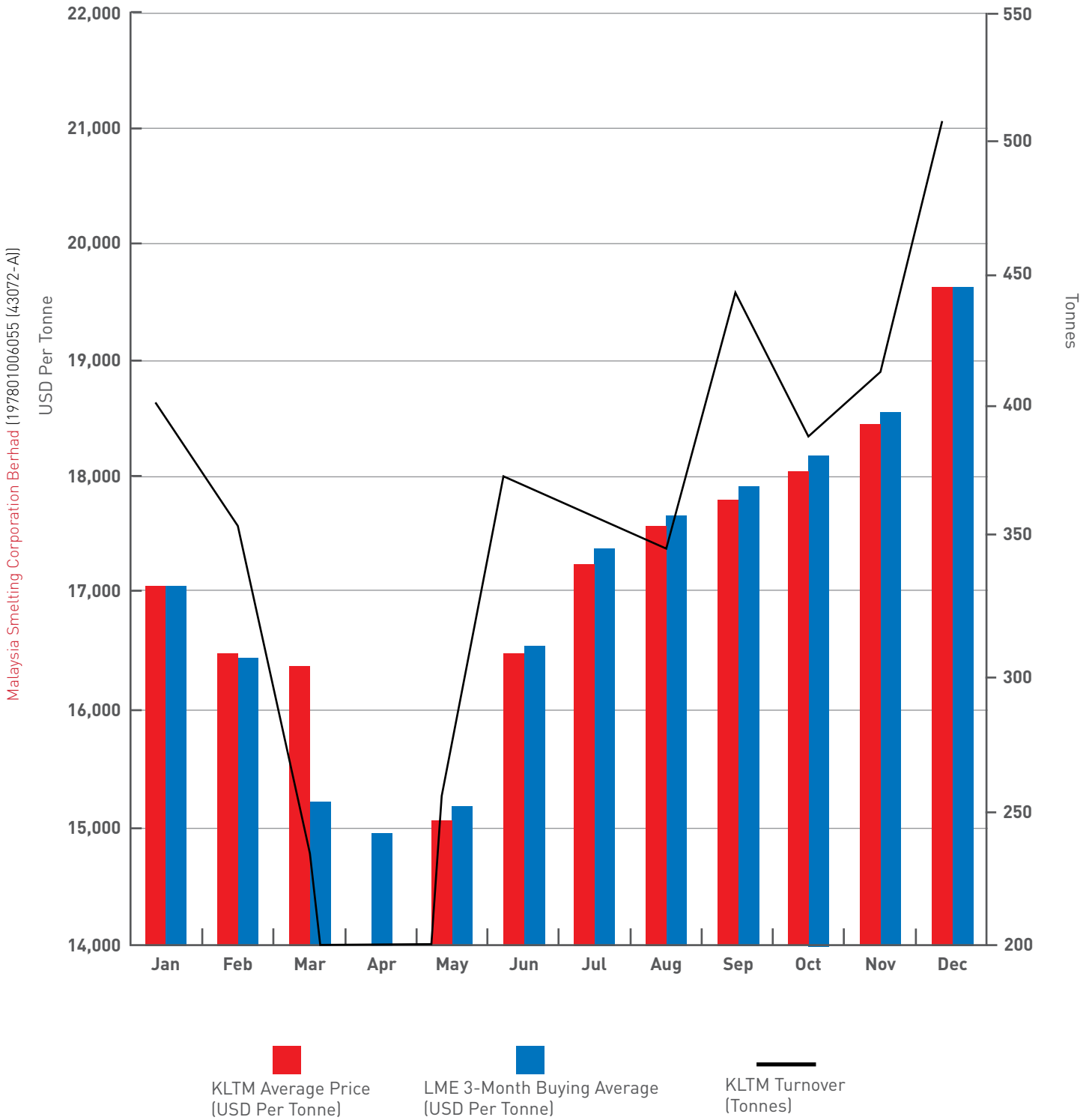


## TIN STATISTICS

	KLTM PRICES HIGHEST USD PER TONNE	KLTM PRICES LOWEST USD PER TONNE	KLTM PRICES AVERAGE USD PER TONNE	KLTM TURNOVER (TONNES)	LME 3-MONTH BUYING AVERAGE USD PER TONNE
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
2018	21,900	18,450	20,071	9,077	20,063
2019	21,760	15,700	18,594	6,445	18,582
2020	20,580	14,930	17,314	4,088	17,073
<b>2020</b>					
JANUARY	17,700	15,900	17,045	406	17,044
FEBRUARY	16,750	16,280	16,536	354	16,430
MARCH	16,900	15,490	16,432	236	15,284
APRIL	-	-	-	-	14,949
MAY	15,270	14,930	15,111	268	15,226
JUNE	17,150	15,400	16,585	374	16,626
JULY	18,030	16,800	17,280	358	17,375
AUGUST	17,800	17,150	17,524	343	17,649
SEPTEMBER	18,240	16,950	17,803	444	17,962
OCTOBER	18,550	17,250	18,016	383	18,152
NOVEMBER	19,230	17,550	18,441	413	18,539
DECEMBER	20,580	18,980	19,677	509	19,643

# TIN STATISTICS

Tin Market Prices & KLTM Turnover



# SUSTAINABILITY STATEMENT FY2020

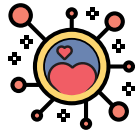
**SUSTAINABILITY** continues to be a top priority at Malaysia Smelting Corporation Berhad (“MSC” or “the Group”). As a responsible integrated tin mining and smelting group, MSC’s commitment extends beyond compliance with regulations, to encompass the integration of sound safety, environmental, and human resources systems into our business practices.



In 2020, we continued our sustainability journey towards creating value for stakeholders in spite of challenges posed by the Covid-19 pandemic. This unprecedented situation has made a big impact on society and businesses alike, putting a spotlight on the importance of governance, social and environmental matters. During this time, we remained focused on strengthening our core operations, in compliance with the regulations and guidelines set by the Malaysian government. We established Standard Operating Procedures (“SOP”) to safeguard the health and safety of all our employees and other stakeholders as well as to ensure business continuity.

This Sustainability Statement represents our fourth report narrating MSC’s approaches in addressing material topics and opportunities within the Economic, Environmental and Social (“EES”) perspectives.

**RM 206,000**  
INVESTMENT IN COMMUNITY  
OUTREACH



**11%**  
ENERGY DERIVED FROM  
RENEWABLE SOURCES

**RM 116,000**  
INVESTMENT IN EMPLOYEE  
DEVELOPMENT



**76%**  
OF TOTAL WORKFORCE ARE  
LOCALS

**RM 6.7 million**  
INVESTMENT IN ENVIRONMENTAL  
INITIATIVES



**14%**  
OF TOTAL WORKFORCE ARE  
WOMEN



REPORTING PERIOD  
1 January 2020 -  
31 December 2020



REPORTING GUIDE

- Main Market Listing Requirements
- Bursa Malaysia’s Sustainability Reporting Guide (2<sup>nd</sup> Edition)



REPORTING CYCLE  
Annual

## ABOUT THIS REPORT

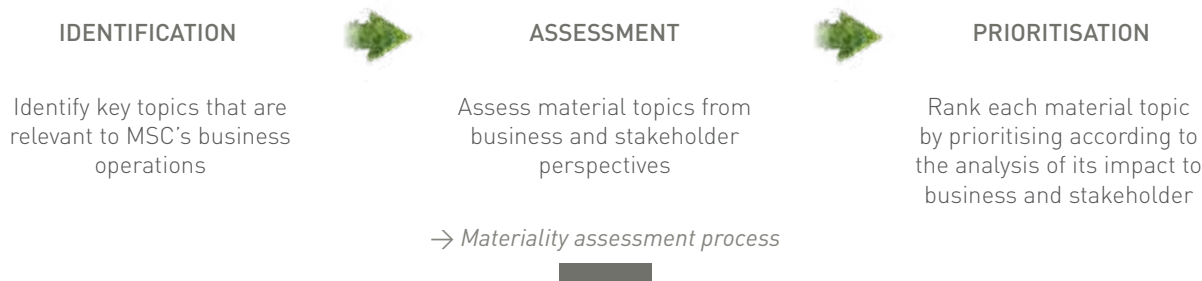
This report covers the sustainability initiatives undertaken by MSC’s tin mining operations at Klian Intan, Perak and the tin smelting activities at Butterworth, Penang and Pulau Indah, Port Klang. The reporting period aligns with MSC’s financial year, reporting data compiled internally from 1 January 2020 to 31 December 2020, unless otherwise stated.

The preparation of this report has been guided by the Main Market Listing Requirements (“MMLR”) and the Sustainability Reporting Guide (2nd Edition) issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

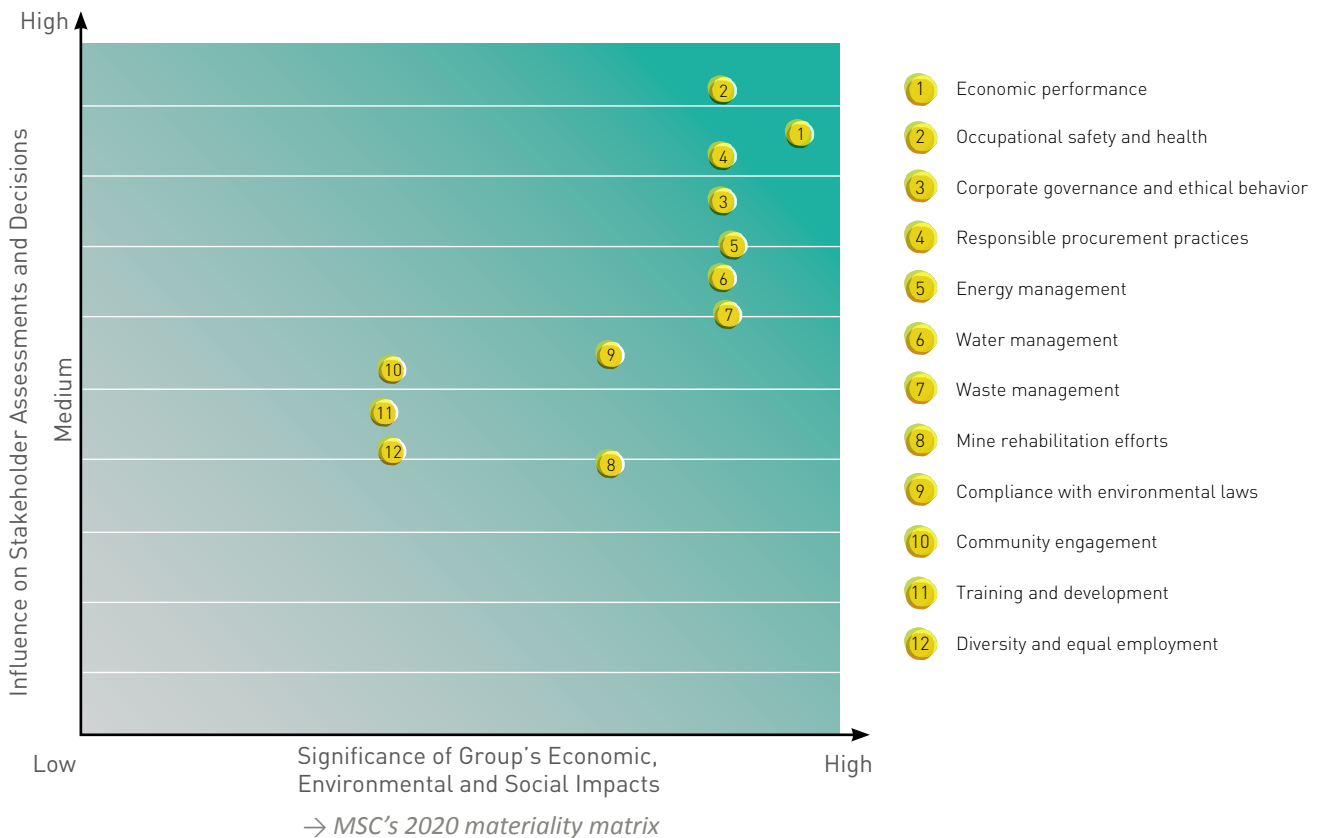
# SUSTAINABILITY STATEMENT 2020

## MATERIALITY ASSESSMENT

Materiality assessment is crucial in identifying and prioritising the sustainability matters that are significant to our business and the stakeholders we engage with. Our materiality study follows the structured process below, involving internal and external stakeholders.









Following our initial assessment exercise in 2017, we have continued to review our material topics annually. Based on the results of the assessment this year, we have refined our material topics to these 12 key areas, illustrated in the material matrix below.





## STAKEHOLDER ENGAGEMENT

At MSC, we value the relationship with our stakeholders and are cognizant of the importance of continuous communication with them. In 2020, we remained committed to maintaining effective engagement with our stakeholders through various channels of communication albeit with the restrictions brought by the pandemic. During this time, stakeholder engagement was crucial for MSC to address key matters to maintain business continuity. For example, MSC was in regular contact with regulators and suppliers to ensure smooth operations with the least disruptions. The following table lists our key stakeholders, their areas of concern, how we connect with them and the outcome of engagement in 2020.

# SUSTAINABILITY STATEMENT 2020

Stakeholders	Engagement Methods	Areas of Interest	Outcome of Engagement
<b>Investors, shareholders, bankers and analysts</b> 	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• Bursa announcements</li> <li>• Press releases</li> <li>• Corporate website</li> <li>• Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>• Business continuity</li> <li>• Maximisation of shareholder value</li> <li>• ESG-related matters</li> <li>• Sustainable financial and operational performance</li> </ul>	<ul style="list-style-type: none"> <li>• Provided further insights on MSC's business operations and financial performance</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>• Formal and informal meetings</li> <li>• Engagement surveys</li> <li>• Site visits</li> <li>• Networking conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Product supply chain and traceability</li> <li>• Socio-economic matters</li> </ul>	<ul style="list-style-type: none"> <li>• Heightened awareness of MSC's policies and commitment as a Conflict Free Smelter</li> <li>• Improved understanding of customers' needs</li> <li>• Kept abreast with changes in the tin industry in terms of demand and supply, tin technology and applications, among others</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Engagement sessions with management</li> <li>• Employee training and development</li> <li>• Social events such as Annual Dinner and Family Days</li> <li>• Performance appraisal</li> </ul>	<ul style="list-style-type: none"> <li>• Fair employment practices</li> <li>• Professional development opportunities</li> <li>• Freedom of association and collective bargaining</li> <li>• Occupational safety and health</li> <li>• Fair remuneration</li> <li>• Covid-19 safety precautions</li> </ul>	<ul style="list-style-type: none"> <li>• Increased awareness of MSC's policies, culture and core values</li> <li>• Enhanced morale and work environment</li> </ul>
<b>Local communities</b> 	<ul style="list-style-type: none"> <li>• Meet-ups with community</li> <li>• Corporate volunteering programmes</li> <li>• Charitable activities</li> <li>• Informative talks</li> </ul>	<ul style="list-style-type: none"> <li>• Support towards community development</li> <li>• Job creation for locals</li> <li>• Undertaking business in a responsible manner</li> </ul>	<ul style="list-style-type: none"> <li>• Improved rapport with community</li> <li>• Developed shared initiative and activities</li> </ul>
<b>Government</b> <i>(Ministries, Agencies, Regulators, Industry Associations)</i> 	<ul style="list-style-type: none"> <li>• Support for government policies and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings, engagements and dialogues</li> <li>• Visit and inspections</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> </ul>
<b>Industry associations</b> 	<ul style="list-style-type: none"> <li>• Meetings, engagements or dialogues</li> <li>• Industry events</li> <li>• Interviews</li> <li>• Task force</li> <li>• Industry reports</li> </ul>	<ul style="list-style-type: none"> <li>• Relevant issues and updates in the industry, including environmental matters</li> <li>• Outlook of tin industry</li> <li>• Conflict-free operations</li> </ul>	<ul style="list-style-type: none"> <li>• Kept abreast with changes in the tin industry in terms of supply and demand, tin technology and applications, among others</li> </ul>

# SUSTAINABILITY STATEMENT 2020

Stakeholders	Engagement Methods	Areas of Interest	Outcome of Engagement
<b>Non-governmental organisations</b> 	<ul style="list-style-type: none"> <li>• Site visits</li> <li>• Meetings, engagements or dialogues</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability-related matters</li> </ul>	<ul style="list-style-type: none"> <li>• Deeper understanding of NGO's concerns</li> <li>• Increased NGO's awareness of MSC's policies, operations and sustainability efforts</li> </ul>
<b>Suppliers and contractors</b> 	<ul style="list-style-type: none"> <li>• Formal and informal meetings</li> <li>• Supplier assessment review and audit</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable and ethical procurement practices</li> <li>• Support of local businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Increased awareness of MSC's policies</li> <li>• Committed to sustainable smelting and mining procurement</li> </ul>

→ *MSC's key stakeholder groups*

## ECONOMIC

Within the economic context, MSC strives to sustain and enhance the value we deliver to our stakeholders and the larger society. We achieve this through profitable financial development, maintaining a strong corporate governance framework, leveraging technologies to enhance efficiencies and building a reliable and responsible supplier base.

### Corporate Governance and Ethical Practices

MSC is committed to implementing responsible and ethical business policies and practices in compliance with legal requirements and regulations. We endeavour to create a corporate culture that promotes integrity and honesty, gaining the trust of stakeholders. At MSC, we have zero tolerance for bribery and prohibits all direct or indirect forms of corruption. We have a Code of Conduct that provides guidelines that must be followed by all that act on behalf of the company, internally or externally.

#### Governance Structure

The sustainability leadership is led by MSC's Board of Directors ("Board"), who is responsible for overseeing the integration of sustainability efforts across the Group and ensuring adequate resources, systems and processes are in place to drive these initiatives.

The direction and strategies set by the Board are communicated to the Senior Management team, which comprises key persons from various functions and led by the Group's Group Chief Executive Officer ("GCEO"). They are responsible for the implementation of the sustainability-related initiatives as well as advising and reporting to the Board on the materiality matters.

#### CG Policies at MSC

We continue to push for zero-tolerance of any types and forms of bribes and corruption with the enforcement of an Anti-Bribery and Anti-Corruption Policy, pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

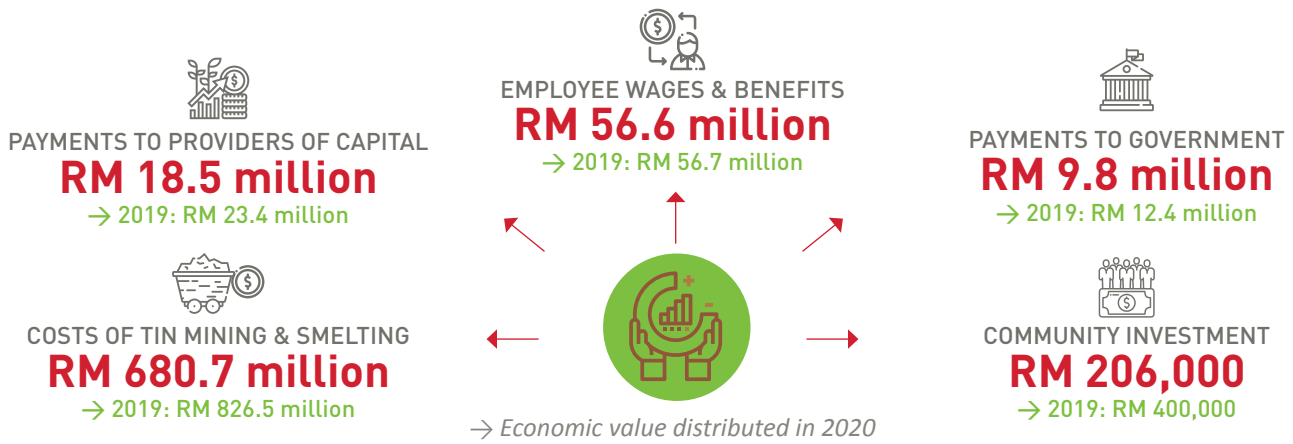
Our corporate governance initiatives are further supported by MSC's various policies, such as the Code of Ethics and Whistleblowing Policy. To ensure the effectiveness and relevancy of the policies, we periodically review and update to reflect on the current business environment.

### Economic Performance

Economic performance is key to MSC's sustainability as it supports the growth of the organisation. During 2020, we strived to maintain business continuity with resilient economic performance in the face of external shocks. Nonetheless, we had worked to sustain production despite operating with a reduced workforce during the Movement Control Order ("MCO") period.

We distribute derived economic value to various stakeholders, that includes governments through tax payments, employees through compensation and benefits, shareholders through dividends, suppliers through the procurement of raw material and services, and society through community investments.

SUSTAINABILITY STATEMENT 2020



**Growth through Innovation**

To strengthen the Group’s efficiencies, we are always on the lookout for innovative opportunities. With this, we can improve the operational efficiency of our processes and better manage our impact on the environment and the local community.

Over the past year, MSC has commenced small-scale production of tin ingots using the Top Submerged Lance (“TSL”) furnace with the advanced ISASMELT™ smelting process at the Pulau Indah facility. As compared to the multi-stage smelting process of the reverberatory furnaces at the Butterworth facility, the TSL furnace undergoes a more efficient single-stage smelting process, leading to higher tin production with lower operating costs, manpower and carbon footprint.

At Pulau Indah, we have established a Research and Development (“R&D”) centre to study new applications of the metal as well as to identify methods and processes to produce tin metal at higher efficiency with lower costs. Currently, a feasibility study is being carried out to develop an optimal and more eco-friendly way to extract valuable chemical compounds from tailings.

At RHT mining site in Klian Intan, we have employed new technologies to enhance our mining productivity to achieve higher daily output. This includes using a mobile crusher to crush the new Western resource ore, which contains harder but higher tin grade tin as compared to our current resources. Apart from that, we have mechanised the final tin dressing process, replacing manually operated lanchutes, which resulted in reduced tin loss and lower manpower at our processing plants.



→ Mechanisation of operations for increased efficiency



→ TSL furnace



→ R&D Centre at Pulau Indah smelter



# SUSTAINABILITY STATEMENT 2020

Our growth initiatives in the tin mining and smelting segments are further elaborated in the Management Discussion and Analysis ("MD&A") section of this Annual Report.

## Responsible Procurement Practices

At MSC, we promote responsible sourcing of materials via a supplier selection that encompasses Environmental, Social and Governance ("ESG") criteria, with a focus on local procurement, when possible. Working with reliable business partners is crucial as suppliers are expected to run their businesses in a responsible manner. We are committed to carrying out business activities in adherence to applicable laws and regulation.

We recognise that the procurement of tin ore from states in Conflict-Affected and High-Risk Areas ("CAHRA") have a risk of funding organisations involved in illegal or unethical activities. MSC takes this matter seriously and promotes responsible sourcing of minerals in the global supply chain with our suppliers expected to maintain a Responsible Minerals Sourcing ("RMS") Policy.

As a leading integrated tin mining and smelting group, we have taken the necessary measures to ensure we are conducting our business ethically. We have put in place a due diligence management system that aligns with the Organisation for Economic Co-operation and Development ("OECD") and the United Nations ("UN") guidelines that consider MSC's business activities and its impact on global conflict matters to ensure suppliers are compliant to the latest Responsible Minerals Assurance Process ("RMAP") requirements. Suppliers who fail to meet the RMAP requirements shall be removed from our qualified supplier list.

MSC continues to be an RMAP-compliant smelter in 2020 with the completion of the annual Conflict-Free Smelter audit, contributing to greater transparency of responsible mineral procurement. We will continue to work with all parties who share the same vision for a sustainable minerals sourcing program.

## ENVIRONMENT

MSC strives to adopt best practices in its daily operations through the implementation of effective sustainable initiatives and continuous monitoring to mitigate the Group's environmental footprint. We work with our stakeholders to enhance awareness, promote environmental practices and focus on operational processes that do not adversely affect the environment of where we operate.

### Compliance with Environmental Laws

The Group is committed to operating in line with applicable environmental laws and regulations. We continuously monitor our sustainability performance and seek to improve our environmental controls while raising awareness within the Group.

As a tin mining and smelting group, we are subject to a wide range of environmental regulations. These requirements relate to activities such as safe transportation and handling of hazardous substances, proper wastewater discharge procedures, air emissions and energy management, to name a few.

To this end, we have adopted an Environmental Policy, reflecting the Group's responsibility to preserve the surrounding environment. In 2020, the Group invested approximately RM6.7 million in environmental initiatives to mitigate our carbon emissions.

Both MSC's tin mining and smelting facilities operate in accordance with the Environmental Quality Act (1974). Additionally, our mining operations adhere to the Mineral Development Act 1994 ("MDA 1994") and Perak State Mineral Enactment 2003, as well. During the year, the Group did not experience any significant environmental incident.



## SUSTAINABILITY STATEMENT 2020

### Progressive Mine Rehabilitation

All mines have a finite life span. As tin resources are being extracted, the productive life of the mine decreases until the mine resources are exhausted. For RHT tin mine in Klian Intan, we have instituted and adopted a Mine Rehabilitation Plan (“MRP”) that provides a framework leading towards successful mine closure. We ensure that closure plans are in place for all stages of the mine life, from pre-construction to post-closure. As part of the MRP, RHT undertakes progressive rehabilitation programs at inactive areas including the tailing retention areas, riverbanks and other disturbed areas by planting trees, grasses and other cover crops. This will prevent erosion and sedimentation into adjacent streams.

Thus far, 32 hectares of the inactive areas have been rehabilitated by planting high-value timber trees and grasses which have dual functions for greening and slope stabilisation.

In September 2020, a revised MRP Report with proposed rehabilitation methods and updated Mining Lease numbers was submitted to the Director of Lands and Mines (“PTG”) Perak. As such, the implementation of our rehabilitation works was put on hold, pending approval from PTG Perak.

At the same time, RHT also collaborates with the Forest Research Institute, Malaysia (“FRIM”) for the afforestation and reforestation of the mined-out areas. This 5-year programme commenced in 2011 and was extended until the end of 2020. Upon completion, a comprehensive standard operating procedure will be developed on planting methods, suitable tree species, post-planting maintenance and other related scope of works. For this purpose, we have developed our own plant nursery to ensure continuous seedling supply.



→ Plant nursery

### Waste Management

Our tin mining and smelting activities generate a substantial amount of waste materials in the form of scheduled and non-scheduled waste, requiring different disposal methods. In this regard, we comply with the national standards in effluents and waste management.

At RHT tin mine, our waste materials comprise of various types of by-products which include sandy and slimy tailings, as well as overburden. The ore materials from drilling and blasting activities are transported to the processing plants using hydraulic excavators and dump trucks. As part of our waste management measures, the tailings materials are contained in the enclosed tailing ponds, while the overburden is placed at an allocated waste dump area at the base of Gunung Paku. With the



→ Tailing ponds

# SUSTAINABILITY STATEMENT 2020

expansion of our mining activities, we are in the midst of raising the tailing bunds to increase retaining capacity and we expect to submit a report to the Department of Mineral and Geoscience (“DMG”) by mid-2021.

As for our smelting activities, we generate general non-hazardous waste such as scrap metals and non-leachable slag which are either recycled or transported to a landfill for disposal. In 2020, the Group generated a total of 1.2 million m<sup>3</sup> of non-scheduled waste materials in the form of loose tailings and metal scraps.

For hazardous waste materials, we are required to dispose according to the Environmental Quality (Scheduled Wastes) Regulations 2005. We have developed SOPs for our hazardous waste management practices ensuring proper handling and treatment of the Group’s scheduled wastes, managed by a DOE-certified Environmental Professional in Scheduled Waste Management (“CePSWaM”). DOE-authorized waste contractors are appointed to undertake the collection, treatment, recycling, recovery and disposal of these waste materials.

## Water Management

We seek to utilise water in an efficient manner across our value chain, despite operating in a non-water stressed area. In this respect, we undertake water management initiatives to mitigate the impact on the water resources for our operations and the local communities in the long term.

For our mining activities, we have established a closed water circuit to manage the circulation in the system, where 100% of water discharged from the ore processing plant is cascaded down the open water reservoirs and tailing ponds. Clear water that is retained in the last tailing pond will then be pumped back to the water storage pond for the processing plants’ usage. This way, we are able to recycle and minimise the extraction of water from natural sources. Nonetheless, the Group still experiences water loss from seepages and evapotranspiration.

During the year, 44.7 million m<sup>3</sup> of water was pumped to the processing plants for mining operations, with 4.7 million m<sup>3</sup> of water withdrawn from the nearby river sources. This represents an increase as compared to 39.4 million m<sup>3</sup> of water usage in 2019, mainly due to higher water extraction following decreasing retaining capacity of tailing ponds and expansion of processing plants, which require more water.

## Water Quality Management and Treatment

The Group is accountable for discharging clean water in compliance with the DMG requirements. As part of our water quality monitoring, we perform continuous monitoring and sampling programs at several points along the rivers running in the mining lease namely Sungai Kijang and Sungai Kepayang, as well as other rivers surrounding the mine, with daily, weekly and monthly pH monitoring.

As for our effluents discharge, we perform lime dosing to treat the mine water before exiting the Group’s mining leases. This neutralises the acidity of the mine water and removes heavy metal contents to ensure it is in compliance with the quality standards specified in the Mineral Development (Effluent) Regulations 2016. A total of 5 lime dosing stations are placed along Sungai Kijang and another 2 stations are located at Sungai Kepayang.

## Energy Management

At MSC, we recognise the significant amount of energy we utilise for our mining and smelting operations. Hence, we seek to ensure responsible environmental stewardship by conserving energy resources with appropriate measures in place. Our strategy involves enhancing the Group’s energy efficiency in our operations and installing the foundation to use renewable energy when possible to reduce our ecological footprint.

Malaysia Smelting Corporation Berhad (197801006055 (43072-A))



**44.7 million m<sup>3</sup>**  
WATER VOLUME PUMPED  
TO PROCESSING PLANTS



→ Lime dosing operations



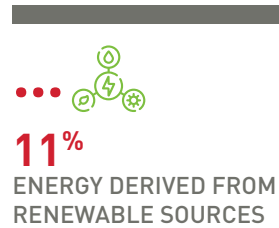
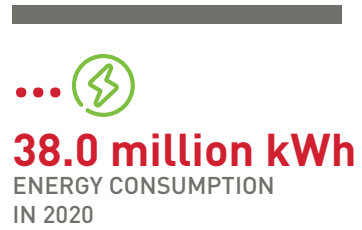
→ Water quality monitoring and sampling

## SUSTAINABILITY STATEMENT 2020

The energy we consume largely come in the form of electricity from the national grid, renewable energy sources, as well as fuels such as diesel and natural gas. In 2020, our energy consumption marginally increased to 38.0 million kilowatt-hour ("kWh") from 36.1 million kWh, as we commenced partial small-scale smelting at Pulau Indah.

The Group has instituted an Efficient Electrical Energy Management Policy, reflecting our commitment towards pursuing energy efficiencies at our facilities while conducting our daily business to minimise energy wastage and reap potential savings from these initiatives. At the smelter in Butterworth, we continued to upgrade to high energy-efficient lights as part of our energy-saving measures during the year. At RHT tin mine, an Energy Manager has been appointed to advise on efficient energy practices while maximising the recovery of minerals. In 2020, Digital Power Meters and Global Positioning System ("GPS") devices were installed at several major equipment to replace the old Energy Meter for improved energy audit and monitoring. Apart from that, we have carried out several initiatives such as upgrading to new LED bulbs and performing regular maintenance of equipment to prevent downtime and energy loss.

To drive enhanced efficiency, we strive to procure energy from renewable sources, as and where possible. In 2020, 11% of the Group's total energy consumption was derived from renewable sources.



→ Solar PV panels at Pulau Indah smelter

At Pulau Indah, we remained focused on installing solar photovoltaic panels on the rooftops of our premises. A total of 1.26 MWp is currently being installed in phases, which will contribute to a smaller carbon discharge. Additionally, we are also tapping into thermal energy using a waste heat recovery system to reduce dependency on fossil fuels. Meanwhile, the Group is utilising water to generate power at our RHT tin mine in Klian Intan with a 1.0 MW mini hydro power station.

With these initiatives in place, we look forward to further optimisation of the Group's energy efficiency with higher cost savings.

# SUSTAINABILITY STATEMENT 2020

## SOCIAL

We firmly believe that our employees are the bedrock to the Group's success. MSC's commitment is echoed in the Group's Labour Policy outlining human rights practices in line with the standard labour regulations and statutory requirements in Malaysia. At all times, we abide by the principles of non-discrimination, equal opportunity, condemnation of forced labour and prohibition of hiring of minors below 16 years old. Our fair employment practices are also communicated in MSC's Code of Ethics and the Employee Handbook.

### Diversity and Equal Employment Opportunity

We regard our people as the driving force of MSC's growth and success. As such, we commit to creating a stimulating work culture that values fresh perspectives and foster professional growth, where employees feel empowered to perform at their highest potential.

#### Strength in Diversity

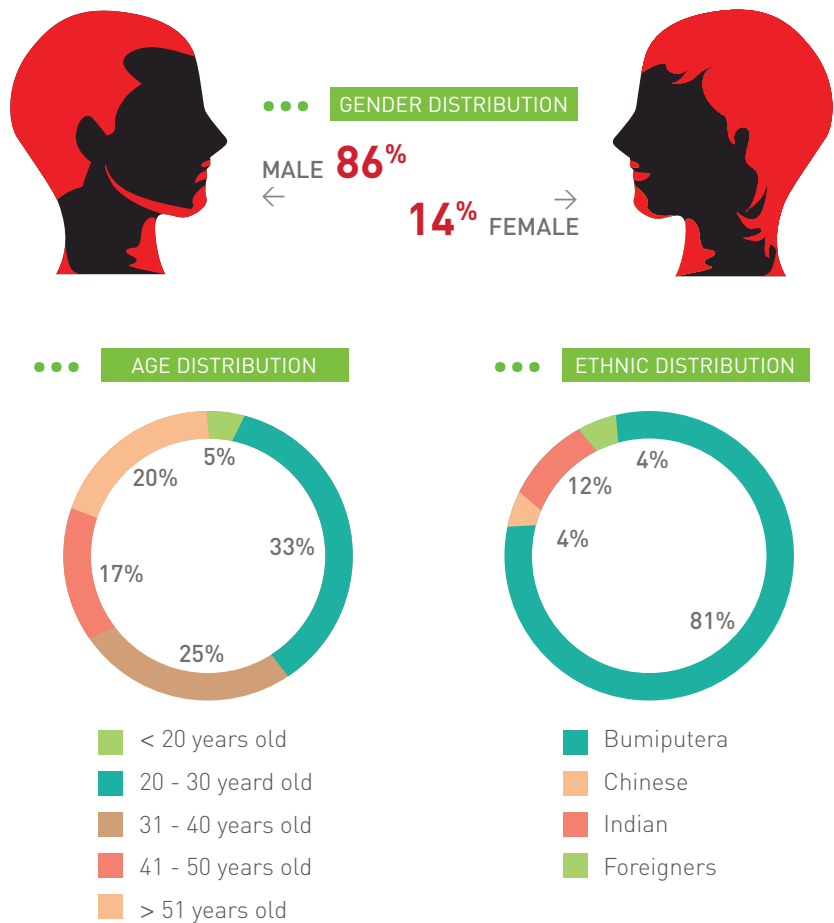
We are aware of how important diversity is to achieve a cohesive and inclusive working environment, further enhancing an organisation's decision-making process and overall outcome. A diverse workforce gives us access to a greater range of talent, which can bring new insights and perspectives while working towards a common goal. Hence, we strive to offer equal opportunities for all, regardless of race, creed and gender, among others.

As at 31 December 2020, the Group's workforce stood at 1,213 employees. 14% of our workers are females, who serve in various capacities as manager, accountant and general worker, to name a few. We expect this number to gradually grow moving ahead as we introduce more job opportunities for women in the workplace.

Meanwhile, we have a young and energetic workforce with 63% of our employees are aged 40 years old and below, ensuring a sustainable pool of talent for MSC's succession planning.

#### Freedom of Association and Collective Bargaining

We also engage with formal employee-unions to discuss various matters in relation to labour laws, employment terms and conditions with the aim to achieve balanced collective agreements. In 2020, 68% of our mining workers are members of the National Mining Workers' Union of Peninsular Malaysia, while 67% of smelting employees are members of the National Union of Industrial Mineral Smelting Workers.



## SUSTAINABILITY STATEMENT 2020

### Talent Development and Training

MSC's continued success is dependent on developing and upskilling competent employees by equipping them with relevant skills and knowledge. We nurture a learning culture across the Group and encourage employees to enhance their skillsets. Training programmes and resources are made available to provide employees with the relevant tools in order to perform their functions effectively.

In 2020, we continued to invest in talent development, spending approximately RM116,000 on 50 training programmes. The Group clocked in a total of 4,143 hours of training hours throughout the year, with an average of 3 hours per employee. During the year, various training sessions were conducted via online platforms in response to the pandemic and containment measures. A wide range of topics is covered in relation to, among others, technical skills, human resources, safety, health and environment, to support our employees' development.

As part of MSC's human capital strategy, we provide employees competitive salaries with comprehensive benefit packages in line with market rates based on individual performances. Once a year, an annual review takes place between employees and Heads of Departments to assess outcomes, set goals and identify development opportunities. The benefits offered to employees include health and medical coverage, housing arrangement and various allowances, to name a few.

  
**RM 116,000**  
 INVESTMENT IN  
 EMPLOYEE DEVELOPMENT



→ Training session

### Occupational Safety and Health

Safety is a key element that is embedded in the Group's culture. At MSC, we strive to create a safe and healthy workplace by eliminating work-related injuries and illnesses. In view of the Covid-19 outbreak in 2020, we further enhanced the Group's Occupational, Safety and Health ("OSH") management system.

We have adopted appropriate policies and programmes to protect the safety and health of our workers at all times. MSC's OSH Policy was reviewed and updated during the year, to ensure relevancy and effectiveness. It outlines our commitment to the applicable laws and regulations, including the Occupational Safety and Health Act 1994.

To optimise our OSH management system, the Group's mining operations are in the process of obtaining ISO 45001:2018 Occupational Health & Safety Management and ISO 39001:2012 Road Traffic Safety Management accreditation. This enables us to address risks and opportunities for continual improvement of our OSH performance.

MSC's OSH initiatives are governed by the OSH Committee at our corporate office, smelter and mines, which make up of 39 members across the Group. They are accountable for overseeing safety-related matters, reviewing the effectiveness of OSH programmes, monitoring and analysing trends of work-related incidents, as well as identification of workplace hazards, among others. Recommendations are also made by the OSH Committee to management on the suitability of the Group's OSH Policy.



→ ERT training

# SUSTAINABILITY STATEMENT 2020



## 24 training sessions ON HEALTHY AND SAFETY



→ Social distancing markers at canteen

In the case of emergencies, an Emergency Response Team (“ERT”) is ready and available at our operating sites to address critical issues and advise on safety procedures. In 2020, the ERT comprises 44 members at our mining site and 25 members at the Group’s smelting facility.

During the year, despite challenges posed by the pandemic, we have not compromised on our safety programmes and continued to perform safety training and awareness sessions. A total of 24 training sessions on OSH-related matters were attended by our employees in 2020 focusing on topics such as radiation protection, safe chemicals handling and road safety, to name a few. At the same time, we carried on organising safety engagement campaigns on various topics including Covid-19 compliance, ISO standards, among others, to cultivate a safety-first mindset and enhance OSH competencies.

On the back of our initiatives, we recorded a Lost Time Injury Frequency Rate (“LTIFR”) of 8.2 incidences per 1 million manhours worked with zero fatalities.

### **Making MSC a safe workplace during Covid-19 pandemic**

Following the outbreak of the Covid-19 pandemic, MSC has taken considerable measures in accordance with the relevant authorities to safeguard the health and safety of our workforce and other stakeholder groups while ensuring business continuity.

We implement extensive safety measures to ensure that our premises maintain high levels of sanitary and hygiene. Throughout the pandemic, we communicate with our employees on a regular basis to keep them informed of the changes in SOP by relevant authorities and the company’s responses. This includes practising high levels of personal hygiene and maintaining social distancing, to name a few. Additional prevention measures we undertook are regular sanitisation of workplace, providing face masks and PPE to employees and hand sanitisers at common areas of premises as well as temperature screening at entrances. We also adopted a work-from-home arrangement and flexible working hours to minimise the risk of infection to our people.

Considering that the Group’s Pulau Indah smelter is located in a Covid-19 red zone in Port Klang, we stepped up our efforts and distributed health supplements, such



→ Sanitisation at mining operations



→ Temperature checking at workplace entrance

## SUSTAINABILITY STATEMENT 2020

as Vitamin C and Vitamin D3 to our employees, to strengthen their immune system. Apart from that, we also provided separate housing arrangements for our essential workers to lower the exposure to Covid-19 among key workers.

### Community Engagement

As a leading integrated tin producer, MSC is aware of its social role in the larger community and the ways we can positively contribute through our presence. Keeping this in mind, we continued to participate in the well-being and development of the local communities in 2020 with an investment of approximately RM206,000.

Despite the myriad of challenges amid the Covid-19 pandemic, we strived to engage in Corporate Social Responsibility (“CSR”) programmes which involve donations to charitable causes and the community, as well as extending financial assistance to employees.

### Catalyst of Socio-Economic Growth

MSC strives to contribute to the local economic growth of where we operate. We do this by creating job and economic opportunities for the locals. In 2020, 76% of our total workforce are locals from nearby towns.

At the RHT tin mine, we undertook several initiatives to support local artisanal miners. During the year, we established a fully-equipped tin ore processing facility, as well as a tin buying centre. This way, the registered artisanal miners can proceed to sell tin ore that they have collected and processed to RHT to generate fair income.

### Investing in Education

We invest in the future of young talents by offering students and undergraduates from various local learning institutions internship opportunities. In 2020, we expended over RM41,000 on educational initiatives. Being in a specialised industry, this initiative not only provides MSC with the human resource capacity but also helps them recognise their potential.

To further enhance interest in the mining industry, school trips for primary and secondary school students to the RHT tin mine were also organised during the year in compliance with relevant authorities’ SOP.

Apart from that, the Group also provides financial assistance to deserving employees as well as their dependents who wish to pursue further education. An Educational Award Scheme is in place to reward children of employees based on merit.



**RM 206,000**  
INVESTMENT IN  
COMMUNITY OUTREACH



→ Donation for the construction of a mosque at Klian Intan



→ RHT tin buying centre



# RESPONSIBLE MINERALS SOURCING (RMS) AUDIT REPORT 2020

Malaysia Smelting Corporation Berhad (“MSC” or “Company”) is committed to actively participate in international efforts to promote responsible, sustainable and conflict free practices in its mineral sourcing practices and supply chain. MSC is fully committed to meeting OECD Due Diligence Guidance, Regulation (EU) 2017/821 of the European Parliament and the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, by conforming to the iTSCi (ITA Tin Supply Chain Initiative) and Responsible Minerals Assurance Process (“RMAP”).

MSC, with the support and guidance from iTSCi, RMAP and Sustainability Experts will continue to work with all stakeholders and actors in the supply chain to promote sustainable and socially responsible mineral sourcing in all stages. This is vital for the socio economic growth and fair distribution of the benefits to the communities of the sourcing countries and all over the world.

MSC has established a responsible sourcing policy and standard operating procedures in accordance with the Due Diligence Guidance outlined by the OECD. MSC has a comprehensive due diligence program with Responsible Minerals Sourcing (“RMS”) embedded in its sourcing policy to ensure responsible and sustainable mineral sourcing and supply chain in its operation. The cornerstone of MSC’s RMS policy is to view all business activities in terms of its impact on global conflict issues, local society and environment, partnering with international initiatives, stakeholders and government to achieve a responsible and sustainable tin operation and industry. The RMS is fully aligned with the third edition of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (“CAHRAs”). It covers all of the risks identified in Annex II of the OECD Guidance and its geographic scope is global. MSC is committed to addressing any Annex II risk identified. The policy was reviewed and approved by the senior management team, who are committed to support its implementation.

MSC expects all our suppliers to exercise due diligence in their supply chain in accordance with OECD Due Diligence Guidance, Regulation (EU) 2017/821 of the European Parliament and the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act and to avoid any involvement in conflict minerals, which directly or indirectly finance or benefit armed groups and/or involve other human right abuses.

MSC maintains a Responsible Minerals Sourcing Company Policy, available on its website, pursuant to which the Company;

1. Prevent the extraction and trade of minerals from becoming a source of conflict, human rights abuses, and insecurity.



2. Cultivate transparent mineral supply chains and sustainable corporate engagement in the mineral sourcing activities, thereby supporting the economy of the region and the local communities that depend on the 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.

The unprecedented Covid-19 pandemic had disrupted many businesses around the world with the Conflict-Free Smelter (CFS) auditing being no exception. The Covid-19 infection hit an all time high that forced many countries including Malaysia to impose mandatory lockdown as a measure to control the spread of the virus. Malaysian Government had issued its first Movement Control Order (MCO) on 18 March 2020, and then further tightened the control with cross-border travel ban and declared a national state of emergency in August 2021 in order to flatten the daily Covid-19 positive infections in Malaysia. This meant that the auditors can no longer travel to auditee’s premises to conduct an assessment. Consequently, RMS audit for 2020 for MSC has been postponed until the situation permits. Rescheduling of the assessment will be done once international travel ban in Malaysia and the respective countries have been lifted.

The RMAP audit was conducted in MSC from 19 – 21 June 2019 and MSC is currently in the process of its re-assessment. During this time, MSC is still listed on the RMI’s public list of Conformant Tin Smelters and is considered Conformant. As a certified RMAP Smelter since 2011, MSC will continue to subscribe to the RMAP and iTSCi due diligence programs and to remain conflict free by adhering to the requirements and also meeting OECD’s expectations on sustainability and social responsibility in CAHRAs going forward.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Malaysia Smelting Corporation Berhad (“MSC” or “Company”) 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 (“MCCG” or “Code”). This statement sets out how the Company has applied the three key Principles of good corporate governance as enumerated in the MCCG during the financial year within the Company and its subsidiaries (“Group”). Where a specific practice of the MCCG 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 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and should be read together with the Corporate Governance Report (“CG Report”) of the Company which provides details on how the Company applied each Practice as set out in the MCCG during the financial year 2020. The Company’s CG Report is available on the Company’s website, [www.msmelt.com](http://www.msmelt.com).

## PRINCIPLE 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 Key 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 Management 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.

The roles and functions of the Board, as well as roles delegated to Management, are clearly delineated in the Board Charter, 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

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

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 has also put in place a whistle-blowing policy which allows the whistle-blower to raise concerns about actual or potential corporate fraud or breach of ethics involving employees, Senior Management or Directors 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 & Risk Management 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 Chief Executive Officer

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

##### **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.

In carrying out her role, the Chairman works with Senior management and promote effective relations with stakeholders and shareholders besides managing the Board.

##### **CEO**

Dato' Dr. Ir. Patrick Yong Mian Thong as the Group CEO and Executive Director 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 Group CEO and Executive Director is also tasked with ensuring that whilst the ultimate objective is maximising total shareholders' return, the 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE 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 27 to 39 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 corporate governance, 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 is a member of Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as a Company Secretary under the Companies Act, 2016. As a practicing Company Secretary, she has also attended continuous professional development programmes as required by MAICSA. The Company Secretary oversees adherence to board policies & procedures and corporate governance issues, 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. 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, comprising one (1) Executive Director and five (5) Non-Executive Directors, four (4) 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. The Independent Directors provide the necessary check and balances in the Board exercising their functions and decision making process.

This composition fulfills the requirements set out under the Main Market Listing Requirements of Bursa Malaysia, which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent.

The Board members are from different backgrounds with diverse perspectives. The mix of skills and experience is essential for successful attainment of corporate plans and objectives of the Group. A brief description of each of the Director's background is set out in the Profile of Directors on pages 7 to 9 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

#### 2.2 Tenure of Independent Director

The Independent 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 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. The Directors' Independence Policy serves as a guide in limiting the tenure of the independent director to nine (9) years and ensuring the independence of directors. Two-tier voting process will be applied in the Annual General Meeting ("AGM") for retaining any Independent Directors serving beyond twelve (12) 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 & Remuneration 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 Key Personnel Team

The appointment of Board and Key Personnel are based on their merit, skill and working experience and due regard are placed for diversity in terms of skills, experience and cultural background.

The Board Diversity Policy serves as a guide in ensuring the diversity of the Board which enhances the effective contribution of all Directors. The Board does not have a specific policy for setting targets for women or age composition on the Board as the Board believes in fair and equal participation for all individuals of right calibre irrespective of race, age or gender.

Please refer to the Profile of Directors and Key Personnel team on pages 7 to 9 and 10 to 12 respectively for further information.

#### 2.4 Nominating & Remuneration Committee

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 & Risk Management Committee.

The Committee is also responsible for reviewing the Board composition 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 programme 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 key personnel.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (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 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 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 Company's Constitution provides that one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires whether adjourned or not.

The Committee reviews annually the required mix of skills and experience for Directors and assesses annually the contributions of each individual Director and the effectiveness of the Board Committees and the Board as a whole. Furthermore, the Nominating & Remuneration Committee reviews the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board.

The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. Nevertheless, the Board takes cognizance of the policy of the Government advocating for more women directors on the Board of PLCs and shall give due considerations when assessing their candidature. Presently, there is one (1) woman director in the Board.

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

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

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

During the financial year under review, the Board met four times. The details of the attendance of the Board members are as follows:

Directors	No. of meetings attended
1. Ms. Chew Gek Khim	4/4
2. Mr. Chia Chee Ming, Timothy	4/4
3. Dato' Robert Teo Keng Tuan	4/4
4. Mr. John Mathew A/L Mathai	4/4
5. Datuk Kamaruddin Bin Taib	4/4
6. Dato' Dr. Ir. Patrick Yong Mian Thong	4/4

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

#### 2.6 Board Committees

The Board Committees are as follows:

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

The following are the records of attendance for the Board Committees' Meetings held in the financial year 2020:

- (i) Audit & Risk Management Committee

Directors	No. of meetings attended
1. Dato' Robert Teo Keng Tuan	4/4
2. Ms. Chew Gek Khim	4/4
3. Mr. Chia Chee Ming, Timothy	4/4

- (ii) Nominating & Remuneration Committee

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

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 Main Market Listing Requirements of Bursa Malaysia.

All directors have attended the Mandatory Accreditation Programme as required by the Main Market Listing Requirements of Bursa Malaysia.

During the course of the financial year, they have also attended other training programmes which include conferences, forums, seminars, workshops and briefings, apart from the briefings conducted by the Company Secretary pertaining to updates on the Main Market Listing Requirements of Bursa Malaysia. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standard that affects the Group's financial statements.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

## 2. BOARD COMPOSITION (CONT'D)

## 2.6 Board Committees (cont'd)

Details of the training programmes attended/participated on areas include the following:

Directors	Training/Conference/Forum/Seminar/ Workshop Attended	Date
1. Ms. Chew Gek Khim	1 Vertex Perspectives Webinar   Global Innovation & Venture Capital Beyond The Pandemic	29 May 2020
	2 Senior Regional Leaders Virtual Roundtable	10 Jun 2020
	3 Informal Digital Chat amongst 5-6 Senior Women Board Directors	18 Jun 2020
	4 NUS - WoW: In Conversation	24 Jun 2020
	5 Central Bank Balance Sheet Macro Talk	12 Aug 2020
	6 Asean Business Club one-to-one Engagement Dialogue	15 Sep 2020
	7 Bain & Company Webinar: A Watershed Year for the Asian Conglomerate	15 Sep 2020
	8 Board Chairman's Conversation	5 Nov 2020
	9 Closed Door Presentation and Discussion on RMB Internationalisation	17 Nov 2020
	10 GRIP Investment Panel	1 Dec 2020
2. Mr. Chia Chee Ming, Timothy	1 Corporate Associates Breakfast Dialogue on Sustainable Employment	3 Feb 2020
	2 Embedding Resilience Webinar Series (WEB1): Board Leadership	28 Apr 2020
	3 Embedding Resilience Webinar Series (WEB2): Navigating Liquidity	12 May 2020
	4 SMU Industry Leaders Dialogue by Dr Victor Fung	26 May 2020
	5 Global Virtual Roundtable 1: The Future of Company Boards	29 May 2020
	6 SMU Industry Leaders Dialogue by Mr Chartsiri Sophonpanich	16 Jul 2020
	7 The Role of Business in Building a More Equitable, Sustainable and Harmonious Society	21 Aug 2020
	8 AI & Robotics Webinar – Delivering Intelligent Automation In Supply Chain and Logistics	3 Sep 2020
	9 Technopreneur Webinar: Scaling & Cross Border Expansion	4 Sep 2020
	10 SMU Visionary Series: Talk by Mr William E Heinecke	9 Sep 2020
	11 SMU Industry Leaders Dialogue by Mr Serge Pun	14 Sep 2020
	12 Singapore Summit 2020 Virtual Conference 2020	14 - 17 Sep 2020
	13 SMU Industry Leaders Dialogue by Mr Nadiem Makarim	1 Oct 2020
	14 Stewardship & Sustainability: Moving from Intent to Impact	1 Dec 2020
	15 Singapore FinTech Festival x SWITCH 2020	7 - 10 Dec 2020



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

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

Details of the training programmes attended/participated on areas include the following:

Directors	Training/Conference/Forum/Seminar/ Workshop Attended	Date
3. Dato' Robert Teo Keng Tuan	1 Digital Service Tax half day Workshop	20 Feb 2020
	2 Webinar : Corporate Tax Measures for COVID-19 and Wage Subsidy Programme	21 Apr 2020
	3 Webinar : ASEAN Roundtable Series ASEAN's Response to COVID-19 : Medium-Term Outlook and Urgent Stimulus Measures for the Business Sector	21 Apr 2020
	4 Webinar : Economic Outlook 2020 - COVID-19	14 May 2020
	5 RSM Asia Pacific Virtual Conference : Service Line Training Sessions	
	- International Tax	18 May 2020
	- International Tax	19 May 2020
	- Risk Advisory Services	20 May 2020
	6 Webinar : Business Continuity Plan during COVID-19 Pandemic Crisis with Information Technology	22 May 2020
	7 Webinar : How does COVID-19 Increases your Transfer Pricing Risks?	12 Jun 2020
	8 Webinar - CARI Briefings : How Can ASEAN Bounce Back - Fostering Public Health Safety & Economic Resilience for a Borderless Community in ASEAN	4 Aug 2020
	9 (ABC Dialogue) French Technologies : Opportunities and Outlook for a Digital ASEAN	6 Aug 2020
	10 Webinar : Learn How to Report Events Resulting From COVID-19 Lockdown in Financial Statements	21 Aug 2020
	11 e National Tax Conference 2020 - "Navigating Tax Through Challenging Times"	25 - 26 Aug 2020
	12 Real Life Horror Stories on Succession that may Affect You	27 Aug 2020
	13 Webinar : (ABC Dialogue) with Natalie Black on UK-ASEAN Trade and Investment : Emerging Opportunities and Outlook Post Brexit and COVID-19	13 Oct 2020
	14 ISA600 Special Considerations - Audits of Group Financial Statements	9 Nov 2020
	15 National Tax Seminar	17 Nov 2020
	16 MICPA Webinar - Analytics & Big Data	18 Nov 2020
17 Post-Budget Power Talk - Prosperity Recovery Resilience	18 Nov 2020	
18 Webinar : The Importance and Opportunities of Digitalisation During COVID and Beyond	25 Nov 2020	
19 Webinar : 2021 Post-Budget Debate	27 Nov 2020	

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

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

Details of the training programmes attended/participated on areas include the following:

Directors	Training/Conference/Forum/Seminar/ Workshop Attended	Date
4. Mr John Mathew A/L Mathai	1 Talk on Wills and Probate by Teng Chong Moi, Advocate & Solicitor	12 Feb 2020
	2 Bar Council Law Net Seminar – Title: Understanding Contract Law – Post Breach : Termination, Litigation or ADR	22 Mar 2020
	3 Bar Council Law Net Seminar – Title: Global Trends Disrupting and Driving the Legal Profession in the Next Five Years	23 Mar 2020
	4 Bar Council Law Net Seminar – Title: Key Procedures for Advocacy	15 Apr 2020
	5 Bar Council Virtual Hearings – Title : The New Normal in Advocacy	24 Apr 2020
	6 Bar Council – Webinar on Advantages of Lawyers Going Online	25 Apr 2020
	7 RTA Academy Webinar - Working Remotely: Systems, Structures and Expectations	27 Apr 2020
	8 Bar Council – Title: How Law Firms Can Use Tech to Respond to Covid-19 Disruption	29 Apr 2020
	9 SSM Seminar – Title : Companies Act 2016 : Dealing with Commons Issues	12 Nov 2020
	10 SSM Seminar Title: Read, Interpret & Analyze Financial Statement for Company Directors & Company Secretaries (Intermediate Level)	18 Nov 2020
5. Datuk Kamaruddin Bin Taib	1 Non-Executive Global Mandatory Training 2019 (Trimester 3) • Conduct & Me • Competition Law • Insider Risk	8 Jan 2020
	2 Understanding the Evolving Cybersecurity Landscape Program	11 Feb 2020
	3 Budget 2020	25 Feb 2020
	4 Digital Banking Webinar : Why Does it Matter?	18 Mar 2020
	5 1st Session - The Day after Tomorrow Leadership Practices During a Time of Crisis	30 Mar 2020
	6 Stakeholder Primacy: Increased Emphasis on ESG Information Disclosure	6 Apr 2020
	7 Digitalisation - Review Competitive Strategies using AI: A Board's Perspective	7 Apr 2020
	8 What if the lockdowns does not work?	7 Apr 2020
	9 2nd Session - The Day after Tomorrow A Balancing Act: Supporting your People and your Business	8 Apr 2020
	10 Authentic Leadership - Leadership Today: Authentic, Open & Transparent	9 Apr 2020

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

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

Details of the training programmes attended/participated on areas include the following:

Directors	Training/Conference/Forum/Seminar/ Workshop Attended	Date
5. Datuk Kamaruddin Bin Taib (cont'd)	11 Digitalisation - Cybersecurity Considerations Amid A Global Pandemic	13 Apr 2020
	12 Covid 19 & Current Economic Reality : Implications for Financial Stability	14 Apr 2020
	13 Authentic Leadership : Leadership in Times of Distress	14 Apr 2020
	14 Crisis Management	15 Apr 2020
	15 3rd Session - Covid 19 & Critical Supply Chains: Medical Services & Food	15 Apr 2020
	16 Stakeholder Engagement In Times of Crisis: Stakeholders Take Centre Stage	16 Apr 2020
	17 Crisis Management: Leading Through Crisis and Uncertainty: Harnessing Mental Health and Resilience to Navigate Storms of Change	17 Apr 2020
	18 PowerTalk #10 - The Path to the Next Normal: So What Now for Leadership?	21 Apr 2020
	19 Impact of the Coronavirus Pandemic on the Global Islamic Finance Industry	21 Apr 2020
	20 Rising Corporate Risks of Weaponised Fake News	22 Apr 2020
	21 4th Session - The Day After Tomorrow	23 Apr 2020
	22 Managing by Freedom Within The Framework post Covid-19	27 Apr 2020
	22 Part 1 : Navigating the COVID-19 Crisis: The New Normal of the Workforce	27 Apr 2020
	23 Model Risk Training	30 Apr 2020
	24 Outthink The Competition : Excelling in a Post Covid-19 World	5 May 2020
	25 6th Session: Building Security in an Unsecure World	8 May 2020
	26 Challenging Times from Covid-19: What Role Must Board Play?	15 May 2020
	27 8th Session - The Day After Tomorrow	20 May 2020
	27 Digital Platforms and The New World	20 May 2020
	28 The Day After Tomorrow Webinar Series : Creating Jobs in the Post-COVID World	3 Jun 2020
	29 Corruption Risk by Independent Consultants	4 Jun 2020
	30 Implementation of MFRS 17 Insurance Contracts :	4 Jun 2020
	30 Technical Accounting (Batch 3) : EY	4 Jun 2020
	31 Central Banks: Navigating in Turbulent Times : Financial Support in Times of Crisis	9 Jun 2020
	32 CyberSecurity Updates :	10 Jun 2020
	32 Cloud Updates	10 Jun 2020
	33 ESG Trends & Regulatory Developments	11 Jun 2020

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

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

Details of the training programmes attended/participated on areas that include the following:

Directors	Training/Conference/Forum/Seminar/ Workshop Attended	Date
5. Datuk Kamaruddin Bin Taib (cont'd)	34 Central Banks: Navigating in Turbulent Times Central Banks' Dilemma in a Time of Crisis: Independence, Subsistence or Co-Dependence with the Government?	16 Jun 2020
	35 The Coronavirus Pandemic and The Climate Emergency	16 Jun 2020
	36 Board & Executive Pay During and Post Covid-19	18 Jun 2020
	37 Risks: A Fresh Look from the Board's Perspective	8 Jul 2020
	38 Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses	21 Jul 2020
	39 Banking on Governance, Insuring Sustainability	4 Aug 2020
	40 Digital FI Series - Fidor's Experience	13 Aug 2020
	41 Cyber Security in 2020	19 Aug 2020
	42 Cyber Security Road Map Update & Understanding of Functions Implemented	19 Aug 2020
	43 Technical Accounting Papers (Batch 4)	19 Aug 2020
	44 Anti-Bribery and Anti-Corruption : Management System (ABCMS)	7 Sep 2020
	45 Digitally Powered F&B Player - Why? What? & How?	7 Sep 2020
	46 GeoPolitical Risk Landscape	7 Sep 2020
	47 (i) Navigating the "New Normal" : How has Fintech fared through Covid 19 crisis?	5 Oct 2020
	(ii) Brave New World : Conceptualising the Future of Modern Financial Architecture	
	(iii) e- Berkat : Enabling Micro Finance Digital Product to the Underserved	
	(iv) Data Portability : Transforming the Financial Services Industry	
	48 (i) Anti-Money Laundering & Countering Financing - Regulatory Development and Internal Process	5 Nov 2020
	(ii) Sustainability - Getting the Board on Board	
	(iii) The Future in Question : Economic Cycles, Technology and Cyber Security	
	(iv) Implementation of MFRS 17 Insurance Contract : Technical Accounting Papers (Batch 5)	
49 Lending Fraud Awareness Training	10 Nov 2020	
50 Green Fintech: Ping An's Journey to Becoming a top ESG-performing Financial Institution	11 Nov 2020	
51 Informal Liquidity Metrics session	27 Nov 2020	

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### 3. REMUNERATION

#### 3.1 Remuneration Policy

The determination of remuneration of Non-Executive Directors is a matter for the Board, as a whole to decide with individual directors abstaining from the discussion of his/her own remuneration.

In line with the Directors' Remuneration Policy, the Board in deciding, the appropriate level of fees of each Non-Executive Director, also 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 key personnel, the Board takes into consideration the skills, qualification, roles and working experience of the key personnel besides the business performance of the Company.

#### 3.2 Details of Directors' Remuneration

Pursuant to the Main Market Listing Requirements of Bursa Malaysia, the details of the remuneration received by the Directors of the Company, on a named basis, during the financial year ended 31 December 2020 are disclosed as follows:

<b>Directors</b>	<b>Fees (RM'000)</b>	<b>Salaries (RM'000)</b>	<b>Allowance (RM'000)</b>	<b>Benefits in kind (RM'000)</b>	<b>Other emoluments (RM'000)</b>	<b>Total (RM'000)</b>
<b>Non-Executive Directors</b>						
Ms. Chew Gek Khim	178.5	-	33	-	-	211.5
Mr. Chia Chee Ming, Timothy	158.4	-	29	-	-	187.4
Dato' Robert Teo Keng Tuan	150.5	-	34	-	-	184.5
Mr. John Mathew A/L Mathai	103.2	-	35	-	-	138.2
Datuk Kamaruddin Bin Taib	87.5	-	32	-	-	119.5
<b>Total</b>	<b>678.1</b>	<b>-</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>841.1</b>
<b>Executive Director</b>						
Dato' Dr. Ir. Patrick Yong Mian Thong	-	1,104	-	30.7	905.3	2,040.0
<b>Total</b>	<b>-</b>	<b>1,104</b>	<b>-</b>	<b>30.7</b>	<b>905.3</b>	<b>2,040.0</b>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 3. REMUNERATION (CONT'D)

##### 3.3 Remuneration of Top Five Key Personnel

The Board is of the view that disclosing the top five key personnel's remuneration on a named basis according to salaries, bonuses, benefits-in-kind and other emoluments would be disadvantageous to the Company due to the confidentiality and sensitivity of each remuneration package which is structured competitively to attract, motivate and retain talents.

Accordingly, the remuneration of the top five key personnel team of the Company in bands of RM50,000 is as follows:

Range of Remuneration (RM)	No of Key Personnel
750,000 – 800,000	1
650,000 – 700,000	2
550,000 – 600,000	1
400,000 – 450,000	1
Total	5

### PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

#### 1. AUDIT & RISK MANAGEMENT COMMITTEE

In assisting the Board to discharge its duties on financial reporting, the Board established an Audit Committee which was subsequently renamed as the Audit & Risk Management Committee on 7 November 2018. Dato' Robert Teo Keng Tuan, an independent director is the chairman of the Audit & Risk Management Committee.

On the composition and terms of reference of the Audit & Risk Management Committee, please refer to the Audit & Risk Management Committee Report on pages 56 to 58 for further information.

#### 2. ASSESSMENT OF SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

The Board, via the Audit & Risk Management Committee, has annually assessed the suitability and independence of the External Auditors.

It is also a 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 & Risk Management Committee has assessed the suitability and independence of Messrs Ernst & Young as External Auditors of the Company for the financial year ended 31 December 2020.

Having satisfied itself with their technical competency, audit independence and fulfillment of criteria as set out in its terms of reference, the Audit & Risk Management Committee has recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

### 3. 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 Audit & Risk Management Committee assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group besides overseeing financial reporting.

The Company has also appointed Crowe Governance Sdn Bhd as the service provider for Enterprise Risk Management Update and Internal Control Review for the Group for financial year 2020.

In line with the MCCG and the Main Market Listing Requirements of Bursa Malaysia, the Board has an independent Internal Audit function which is led by Mr. Yoon Choon Kong, the Group Internal Auditor who reports directly to the Audit & Risk Management Committee. Mr. Yoon 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 (UK). During the financial year under review, apart from himself, he is supported by 1 staff in the in-house Internal Audit Division and an external team of professional internal auditors on a co-sourced basis. The Internal Auditor 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 59 to 62 of this Annual Report.

## PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### 1. 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 continuous communication between the Company and its stakeholders 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 and media release in relation thereto to Bursa Malaysia and the Singapore Exchange Securities Trading Limited ("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 price performance and corporate social responsibility reporting.

### 2. 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 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 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.

This Statement is made in accordance with the resolution of the Board of Directors dated 27 April 2021.

## ADDITIONAL COMPLIANCE INFORMATION

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

### Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2020.

### 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 2020 are as follows:

	The Group RM	The Company RM
Audit Fees	757,000	540,000
Non-Audit Fees	10,000	10,000

### 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 2020.

### 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 AND RISK MANAGEMENT COMMITTEE REPORT

The Audit Committee was established on 30 August 1994 with the principle objective to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls and financial reporting practices of the Group. Subsequently, the Audit Committee was renamed as Audit & Risk Management Committee on 7 November 2018.

In performing their duties and discharging their responsibilities, the Audit & Risk Management Committee is guided by its terms of reference ("TOR"). The Audit & Risk Management Committee's TOR is available at the Company's website at [www.msmelt.com](http://www.msmelt.com).

## Composition and Meetings of the Audit & Risk Management Committee

The Audit & Risk Management Committee of the Company currently comprises of three (3) Non-Executive Directors, two (2) of whom are independent. The members of Audit & Risk Management Committee must elect a Chairman among themselves who is an independent director.

There were four (4) meetings held during the financial year under review, and the record of attendance of each member of the Committee are as follows:

Members	No. of meetings attended
Dato' Robert Teo Keng Tuan Chairman, Independent Non-Executive Director	4/4
Ms. Chew Gek Khim Member, Non-Independent Non-Executive Director	4/4
Mr. Chia Chee Ming, Timothy Member, Senior Independent Director	4/4

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 Group CEO, Group Chief Financial Officer ("Group CFO") and other Key Personnel staff also attended the meetings, where appropriate, at the invitation of the Committee.

At each Board meeting, the chairman of the Committee briefs the Board pertaining to matters discussed at the meeting of Committee and the minutes of Committee meeting is circulated to the Board for their notation.

## Training and Continuous Engagement

Members of the Committee have attended relevant training seminars to enhance their competency in fulfilling their functions and duties more effectively, including trainings which are relevant to their discharge of duties as Committee members. Details of training attended by each member are set out on pages 47 to 51 of this Annual Report.

During the financial year, the Chairman of the Committee continuously engaged with the key personnel 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.

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### 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 at least once 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 RM10,000.00 were paid to the External Auditors during the financial year for the provision of services in respect of the review of the Company's Statement on Risk Management and Internal Control and other audit related 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 and SGX. The review and discussions were conducted with the Group CEO, Group CFO and other Key Personnel;
- Reviewed the Group Internal Audit function's resource requirements, adequacy of plan, functions and scope for the financial year under review;
- Reviewed the performance and competency of the Group Internal Audit function;
- Reviewed the internal audit program, 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 Crowe Governance Sdn. Bhd. (External Consultant - Crowe) 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.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## Internal Audit Function

The Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities with support from External Consultant- Crowe. 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 & Risk Management 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 subprocesses 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 & Risk Management 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 2020 was RM969,000.00.

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 59 to 62 of this Annual Report.

This Report is made in accordance with the resolution of the Board of Directors dated 27 April 2021.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia 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 the Company is committed to maintaining an effective system of risk management and internal control in Malaysia Smelting Corporation Berhad (“MSC”) 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 2020.

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 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia.

## 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 & Risk Management 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, assessing, managing, monitoring and reporting significant risks faced by the Group. The Board, through its Audit & Risk Management 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 MCCG which calls for the establishment of an effective risk management and internal control framework and the disclosure thereof. Management is responsible for identifying, assessing, 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 Auditors, which operates across the Group.

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 & Risk Management Committee and Management, as follows:
  - > Board and Audit & Risk Management Committee – ensure that there is a sound framework for internal controls and risk management;
  - > Management and key staff for all the businesses/divisions – to review the risk profiles and performance of business units and report to the Group CEO.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Risk Management (cont'd)

- Identification of principal risks (present and potential) faced by business units in the Group and Management's plans to mitigate or manage these risks was carried out. For the financial year under review, risk assessments and updates were undertaken by the Management and key staff for all the businesses/divisions. The results of these assessments and management action plans to manage critical risks were reported to the Group CEO for his further review. The Audit & Risk Management Committee, with assistance from the Internal Auditors 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 & Risk Management 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 to ensure its relevance 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 utilisation 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 independent in-house Internal Audit team. During the financial year, the Board appointed an independent professional services firm, Crowe Governance Sdn. Bhd., to support the in-house Internal Audit team (collectively referred to as the "Internal Auditors"). The Internal Auditors reports directly and provides assurance to the Audit & Risk Management Committee on the adequacy and effectiveness of risk management, internal control and governance systems. In carrying out its activities, the Internal Auditors has unrestricted access to the relevant records, personnel and physical properties.

The Internal Auditors independently reviews the risk identification, assessment and control processes implemented by Management, and reports to Audit & Risk Management Committee on a quarterly basis the outcome thereof. The Internal Auditors also reviews the internal control system within the Group based on a risk-based annual internal audit plan approved by the Audit & Risk Management Committee. Its audit strategy and plan are based on the risk profiles of major business units of the Group. The Audit & Risk Management Committee evaluates the Internal Auditors to assess its effectiveness in discharging its responsibilities.

Further details of the work undertaken by the Internal Auditors are set out in the Audit & Risk Management Committee Report on pages 56 to 58 of this Annual Report as well as the Corporate Governance Overview Statement of MSC which is made available via an announcement on the website of Bursa Malaysia.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Internal Control

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

#### (a) Whistleblowing Policy and Procedures

- 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.
- The Board is responsible for setting the ethical tone of the Group and engendering a healthy corporate culture. An Ethics Policy has been incorporated in the Employee Handbook to set out the standards of conduct expected from its employees to enhance the standards of corporate governance and corporate behaviour.

#### (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 operational and financial policies and procedures for major subsidiaries, covering core processes like tin smelting, tin trading activities, mining, asset management, purchasing, payment, inventory and payroll.

#### (d) Planning, Monitoring and Reporting

- The Group CEO reports to the Board on significant changes in the business and the external environment;
- The Group Chief Financial Officer ("Group CFO") provides the Board with quarterly financial reports, which include key financial indicators;
- Management information, which includes the monthly management reports covering both key financial and operational information, is provided to key Management for monitoring of performance against the business plan;
- Management meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues; and
- The Audit & Risk Management 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 Auditors, which evaluates the adequacy and effectiveness of the system of internal controls. Planned corrective actions are independently monitored for timely completion.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 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 Group CEO and the Group CFO that the Group's risk management and internal control system has been operating adequately and effectively, in all material respects, 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 Key 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 Main Market Listing Requirements of Bursa Malaysia, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2020 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 27 April 2021.

## STATEMENT OF RESPONSIBILITY BY DIRECTORS

### IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act 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 2020 and of their financial performance and cash flows for the financial year ended 31 December 2020.

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 April 2021.



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# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

## 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, and investment holding. Other information relating to the subsidiaries are disclosed in Note 19 to the financial statements.

## Results

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit net of tax	<u>14,650</u>	<u>37,205</u>
Profit attributable to:		
Owners of the Company	15,164	37,205
Non-controlling interests	(514)	-
	<u>14,650</u>	<u>37,205</u>

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 2019 was as follows:

	<b>RM'000</b>
First and final single-tier dividend of RM0.02 per share on 400,000,000 ordinary shares, declared on 2 September 2020 and paid on 30 September 2020	<u>8,000</u>

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 RM0.01 per share amounting to RM4,000,000 for the financial year ended 31 December 2020.

The financial statements for the financial year ended 31 December 2020 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 2021.

## DIRECTORS' REPORT

### 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)  
Mr. Chia Chee Ming, Timothy\*  
Dato' Robert Teo Keng Tuan\*  
Mr. John Mathew A/L Mathai  
Datuk Kamaruddin Bin Taib  
Dato' Dr. Ir. Yong Mian Thong

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

In accordance with Clause 102 of the Constitution of the Company, Mr. Chia Chee Ming, Timothy and Dato' Robert Teo Keng Tuan retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves 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  
Mr. John Mathew A/L Mathai  
Dato' Dr. Ir. Yong Mian Thong  
Mr. Lee Hock Chye  
Mr. Raveentiran A/L Krishnan  
En. Zihanz Alymann Bin Kamarul Zaman  
Mr. Madzlan Bin Zam  
Dato' Abdul Aziz Bin Mohamed  
(Alternate: Dato' Hj Mohd Abdah Bin Mohd Alif)  
Mr. Mohd Najib Bin Jaafar  
Ms. Tan Wei Tze (Appointed on 15 January 2021)  
Mr. Aldric Tan Jee Wei (Resigned on 15 January 2021)

## DIRECTORS' REPORT

### 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:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Fees	549	459
Salary, bonus and benefits-in-kind	2,040	2,040
Insurance effected to indemnify directors	145	145
	<u>2,734</u>	<u>2,644</u>

### 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 defence 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 RM145,000.

## DIRECTORS' REPORT

### 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 →			
	1 January 2020	Bought	Sold	31 December 2020
<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	741,200	-	-	741,200
Mr. Chia Chee Ming, Timothy	3,900	-	-	3,900
<b>The Company</b>				
<b>Direct interest</b>				
Ms. Chew Gek Khim	1,600,000	-	-	1,600,000
Dato' Robert Teo Keng Tuan	139,000	510,000	-	649,000
Dato' Dr. Ir. Yong Mian Thong	278,800	82,000	-	360,800
<b>Deemed interest</b>				
Dato' Robert Teo Keng Tuan	397,000	-	-	397,000

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.

## DIRECTORS' REPORT

### 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; 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 the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

## DIRECTORS' REPORT

### Other statutory information (cont'd)

- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Significant event

The following significant event occurred during the financial year ended 31 December 2020:

On 7 February 2020, the Company announced an internal restructuring exercise, i.e. a Voluntary Separation Scheme affecting approximately 550 employees at the Butterworth smelter, following the impending relocation to its new smelting facility in Pulau Indah, Port Klang. Official notification had been given to all affected employees to prepare them for the transition. The scheme was closed and completed on 31 December 2020.

Further details in relation to the provision for voluntary separation/ retrenchment compensation are disclosed in Notes 9 and 30(b).

**DIRECTORS' REPORT****Auditors**

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

Auditors' remuneration is as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Ernst & Young	757	540
Other auditors	7	-
	<u>764</u>	<u>540</u>

**Indemnification of auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT during or since the financial year.

Signed on behalf of the board in accordance with a resolution of the directors dated 27 April 2021.

Chew Gek Khim

Dato' Dr. Ir. Yong Mian Thong



# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Chew Gek Khim and Dato' Dr. Ir. Yong Mian Thong, 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 81 to 193 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 2020 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 April 2021.

Chew Gek Khim

Dato' Dr. Ir. Yong Mian Thong

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Lam Hoi Khong, 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 81 to 193 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 Lam Hoi Khong  
at Klang, Selangor D.E.  
on 27 April 2021

Lam Hoi Khong  
(CA 18848)

Before me,

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

### 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 2020 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 81 to 193.

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 2020, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

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

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.

### *Inventories*

As disclosed in Note 24 to the financial statements, the Group and the Company recorded a carrying amount of tin-bearing inventories amounting to RM593.4 million as at 31 December 2020, representing 87% and 85% (2019: 85% and 83%) of the Group's and the Company's total current assets respectively. During the year, the Group and the Company made a reversal on the write-down allowance of RM7.1 million (2019: write-down of RM31.1 million) of tin-bearing inventories previously written-down to their net realisable value.

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

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. At the same time, management is required to apply valuation techniques that involve judgements and estimates given the nature of tin-in-process and refined tin metal.

In addition, as the tin inventories are stated at the lower of cost and net realisable value, the determination of whether the tin inventories will be realised for a value less than cost (where the tin inventories are forecasted to be sold below cost) requires management to exercise significant judgements and make significant estimates. Accordingly, we consider this to be an area of focus.

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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

### *Inventories (cont'd)*

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

- (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 the physical quantities of tin-in-concentrates, tin-in-process and refined tin metal, we performed, amongst others, the following procedures:

- (a) We attended and observed the physical stock counts and obtained an understanding of the sampling methodologies used by management.
- (b) We obtained an understanding of the work performed by management's expert involved in the physical stock count.
- (c) We evaluated the competence, capabilities and objectivity of management's expert.
- (d) We evaluated the appropriateness of the work performed by management's expert as audit evidence.

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 the internal controls over the recording of tin-in-concentrates consumed and the valuation of different stages of tin-in-process.
- (c) We tested, on a sample basis, documents which evidenced the cost of purchase of tin-in-concentrates from suppliers.
- (d) We tested, on a sample basis, documents which evidenced the cost of production of tin-in-process and refined tin metal.
- (e) We tested the arithmetic calculation of the valuation of tin inventories.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

## *Inventories (cont'd)*

In addressing the area of focus in respect of the net realisable value of the tin inventories, we performed, amongst others, the following procedures:

- (a) We discussed with management to obtain an understanding on the basis and assumptions used in estimating the net realisable value of the tin inventories and assessed the reasonableness of such basis and assumptions used.
- (b) We evaluated the inputs used in the assumptions such as forecasted tin prices, forecasted exchange rates, further processing costs, and allowance for tin loss in deriving the net realisable value of tin inventories.
- (c) We re-performed the calculation of the net realisable value and compared to the carrying value of the tin inventories.

## *Provision for mine restoration costs*

As disclosed in Note 30(a) to the financial statements, the Group recorded a provision for mine restoration costs of RM38.0 million in respect of restoration obligations of its subsidiary, Rahman Hydraulic Tin Sdn. Bhd. as at 31 December 2020. The Group is required to obtain approval on its mine restoration plan from the Perak State Mineral Resources Committee, under the Mineral (Perak) Enactment 2003. The Group recognises a provision for these costs at each reporting date based on the estimated costs required to fulfil this obligation according to the methodology and plan formulated by the external consultant.

The timing of the cash outflow can only be confirmed by uncertain future events not wholly within the control of the Group and may develop in ways not initially expected. Therefore, the Group continually assesses the timing and development of the discussion with the relevant authorities. Such assessment involves significant judgment and estimates which are highly subjective. Accordingly, we consider this to be an area of audit focus.

In addressing this area of focus, we performed, amongst others, the following procedures:

- (a) We evaluated the objectivity, independence, expertise and experience of the external mine restoration consultant engaged by the Group.
- (b) We obtained an understanding of the methodology adopted by the consultant in formulating the restoration plan.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

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

In addressing this area of focus, we performed, amongst others, the following procedures: (cont'd)

- (c) 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.
- (d) We assessed whether the discount rate used in determining the net present value of the restoration and rehabilitation obligations reflects current market assessments of the time value of money to the liability.
- (e) We also evaluated 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

## *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.

## *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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

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

- 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.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA SMELTING CORPORATION BERHAD

## *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 PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Liew Foo Shen  
No. 03349/01/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
27 April 2021

**STATEMENTS OF PROFIT OR LOSS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
<b>Revenue</b>	4	813,359	983,567	813,354	983,564
<b>Other items of income</b>					
Dividend income	5	-	-	35,937	70,794
Interest income	6	838	1,153	1,500	1,315
Other income	7	421	10,431	2,399	11,593
<b>Expenses</b>					
Costs of tin mining and smelting	8	(680,653)	(826,536)	(751,455)	(956,393)
Depreciation expense	8	(15,823)	(16,504)	(5,336)	(6,755)
Amortisation expenses	8	(1,310)	(2,022)	(3)	(3)
Employee benefits expense	9	(57,014)	(71,688)	(32,928)	(48,369)
(Impairment losses)/Reversal of impairment losses	10	(2,528)	(904)	(5,081)	435
Finance costs	11	(15,961)	(16,548)	(12,304)	(14,729)
Other expenses	12	(12,890)	(12,235)	(8,054)	(5,290)
<b>Total expenses</b>		<u>(786,179)</u>	<u>(946,437)</u>	<u>(815,161)</u>	<u>(1,031,104)</u>
Share of results of associate and joint venture		<u>(4,254)</u>	<u>(4,052)</u>	<u>-</u>	<u>-</u>
<b>Profit before tax</b>	8	24,185	44,662	38,029	36,162
Income tax (expense)/credit	13	<u>(9,535)</u>	<u>(13,977)</u>	<u>(824)</u>	<u>7,205</u>
<b>Profit net of tax</b>		<u>14,650</u>	<u>30,685</u>	<u>37,205</u>	<u>43,367</u>
<b>Attributable to:</b>					
Owners of the Company		15,164	30,686	37,205	43,367
Non-controlling interests		<u>(514)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
		<u>14,650</u>	<u>30,685</u>	<u>37,205</u>	<u>43,367</u>
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
		<b>Group</b>			
		<b>2020</b>	<b>2019</b>		
- Basic and diluted	14	<u>3.8</u>	<u>7.7</u>		

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 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
<b>Profit net of tax</b>	<u>14,650</u>	<u>30,685</u>	<u>37,205</u>	<u>43,367</u>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
Revaluation reserves on property, plant and equipment, net	4,083	2,708	1,244	85
Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI")	<u>13,597</u>	<u>(4,743)</u>	<u>13,597</u>	<u>(4,743)</u>
	<u>17,680</u>	<u>(2,035)</u>	<u>14,841</u>	<u>(4,658)</u>
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Foreign currency translation	2	1	-	-
Share of foreign currency translation of an associate and a joint venture	<u>(250)</u>	<u>257</u>	<u>-</u>	<u>-</u>
	<u>(248)</u>	<u>258</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<u>17,432</u>	<u>(1,777)</u>	<u>14,841</u>	<u>(4,658)</u>
<b>Total comprehensive income for the year</b>	<u>32,082</u>	<u>28,908</u>	<u>52,046</u>	<u>38,709</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	32,596	28,909	52,046	38,709
Non-controlling interests	<u>(514)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>32,082</u>	<u>28,908</u>	<u>52,046</u>	<u>38,709</u>

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	137,912	115,323	67,112	62,491
Right-of-use assets	17(a)	6,918	10,386	518	1,149
Land held for development		78,654	78,654	-	-
Intangible assets	18	3,165	4,063	146	198
Investment in subsidiaries	19	-	-	148,781	148,681
Investments in associate and joint venture	20	25,999	30,436	10,473	15,469
Investment securities	21	23,359	9,762	23,359	9,762
Other non-current assets	22	12,167	13,831	-	-
Deferred tax assets	23	9,085	9,457	6,128	6,893
		<u>297,259</u>	<u>271,912</u>	<u>256,517</u>	<u>244,643</u>
<b>Current assets</b>					
Inventories	24	604,131	467,443	610,061	467,324
Trade receivables	25	25,576	13,676	25,574	13,674
Other receivables	26	1,148	2,995	36,358	30,587
Trade prepayments	27	10,255	5,636	10,255	5,636
Other prepayments		1,056	1,997	976	948
Tax recoverable		17,588	23,785	16,738	21,663
Derivative financial instruments	28	625	1,078	625	1,078
Cash, bank balances and deposits	29	36,846	35,738	19,279	20,188
		<u>697,225</u>	<u>552,348</u>	<u>719,866</u>	<u>561,098</u>
<b>Total assets</b>		<u>994,484</u>	<u>824,260</u>	<u>976,383</u>	<u>805,741</u>

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000 (restated)
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Provisions	30	13,798	15,458	13,257	15,000
Borrowings	31	355,223	266,171	355,223	216,912
Trade and other payables	32	133,127	56,368	138,432	73,850
Lease liabilities	17(b)	1,621	6,936	64	201
Current tax payable		607	2,133	-	739
Derivative financial instruments	28	1,075	1,791	1,075	797
		<u>505,451</u>	<u>348,857</u>	<u>508,051</u>	<u>307,499</u>
<b>Net current assets</b>		<u>191,774</u>	<u>203,491</u>	<u>211,815</u>	<u>253,599</u>
<b>Non-current liabilities</b>					
Provisions	30	39,128	27,652	-	-
Deferred tax liabilities	23	2,554	1,912	-	-
Borrowings	31	49,357	-	-	-
Loan from immediate holding company	32	-	73,461	-	73,461
Lease liabilities	17(b)	4,187	3,184	406	901
Derivative financial instruments	28	531	-	-	-
		<u>95,757</u>	<u>106,209</u>	<u>406</u>	<u>74,362</u>
<b>Total liabilities</b>		<u>601,208</u>	<u>455,066</u>	<u>508,457</u>	<u>381,861</u>
<b>Net assets</b>		<u>393,276</u>	<u>369,194</u>	<u>467,926</u>	<u>423,880</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	33	200,000	200,000	200,000	200,000
Other reserves	34	21,832	4,400	9,390	(5,451)
Retained earnings		171,669	164,505	258,536	229,331
		<u>393,501</u>	<u>368,905</u>	<u>467,926</u>	<u>423,880</u>
<b>Non-controlling interests</b>		<u>(225)</u>	<u>289</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>393,276</u>	<u>369,194</u>	<u>467,926</u>	<u>423,880</u>
<b>Total equity and liabilities</b>		<u>994,484</u>	<u>824,260</u>	<u>976,383</u>	<u>805,741</u>

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 2020

Group	Note	Total equity RM'000	Equity attributable to owners of the Company		Attributable to owners of the Company				Non-distributable			Distributable			Non-distributable	
			Company, total RM'000	Share capital RM'000	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	FVOCI reserves RM'000	Other reserve RM'000	Retained earnings RM'000	Reserves of non-current assets classified as held for sale RM'000	Non-current assets held for sale RM'000	Reserves of non-current assets classified as held for sale RM'000	Reserves of non-current assets classified as held for sale RM'000	Reserves of non-current assets classified as held for sale RM'000	Reserves of non-current assets classified as held for sale RM'000	Reserves of non-current assets classified as held for sale RM'000
<b>At 1 January 2019</b>		348,286	347,996	200,000	5,569	1,015	(2,113)	1,706	139,807	2,012	290					
Profit for the year		30,685	30,686	-	-	-	-	-	30,686	-	(1)					
Other comprehensive income		(1,777)	(1,777)	-	2,708	258	(4,743)	-	-	-	-					
Total comprehensive income		28,908	28,909	-	2,708	258	(4,743)	-	30,686	-	(1)					
Transfer of reserves of non-current assets classified as held for sales		-	-	-	-	-	-	-	2,012	(2,012)	-					
<b>Transactions with owners of the Company:</b>																
Dividend	15	(8,000)	(8,000)	-	-	-	-	-	(8,000)	-	-					
<b>At 31 December 2019</b>		369,194	368,905	200,000	8,277	1,273	(6,856)	1,706	164,505	-	289					

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

Group	Note	Total equity RM'000	Equity attributable to owners of the Company			Attributable to owners of the Company					Non-controlling interests RM'000
			Company, total RM'000	Share capital RM'000	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	FVOCI reserves RM'000	Other reserve RM'000	Retained earnings RM'000	Distributable	
<b>At 1 January 2020</b>		369,194	368,905	200,000	8,277	1,273	(6,856)	1,706	164,505	289	
Profit for the year		14,650	15,164	-	-	-	-	-	15,164	(514)	
Other comprehensive income		17,432	17,432	-	4,083	(248)	13,597	-	-	-	
Total comprehensive income		32,082	32,596	-	4,083	(248)	13,597	-	15,164	(514)	
<b>Transactions with owners of the Company:</b>											
Dividend	15	(8,000)	(8,000)	-	-	-	-	-	(8,000)	-	
<b>At 31 December 2020</b>		393,276	393,501	200,000	12,360	1,025	6,741	1,706	171,669	(225)	

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

Company	Note	Total equity RM'000	Non-distributable			Distributable		Non-distributable Reserves of non-current assets classified as held for sale RM'000
			Share capital RM'000	Revaluation reserves RM'000	FVOCI reserves RM'000	Retained earnings RM'000		
<b>At 1 January 2019</b>		393,171	200,000	1,320	(2,113)	191,952	2,012	
Profit for the year		43,367	-	-	-	43,367	-	
Other comprehensive income		(4,658)	-	85	(4,743)	-	-	
Total comprehensive income		38,709	-	85	(4,743)	43,367	-	
Transfer of reserves of non-current assets classified as held for sale		-	-	-	-	2,012	(2,012)	
<b>Transactions with owners of the Company:</b>								
Dividend	15	(8,000)	-	-	-	(8,000)	-	
<b>At 31 December 2019 (restated)</b>		423,880	200,000	1,405	(6,856)	229,331	-	



## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	← Non-distributable →		→ Distributable		
Note	Total equity RM'000	Share capital RM'000	Revaluation reserves RM'000	FVOCI reserves RM'000	Retained earnings RM'000
<b>Company</b>					
<b>At 1 January 2020 (as previously stated)</b>	427,077	200,000	1,405	(6,856)	232,528
Prior year adjustment	(3,197)	-	-	-	(3,197)
<b>At 1 January 2020 (as restated)</b>	423,880	200,000	1,405	(6,856)	229,331
Profit for the year	37,205	-	-	-	37,205
Other comprehensive income	14,841	-	1,244	13,597	-
Total comprehensive income	52,046	-	1,244	13,597	37,205
<b>Transactions with owners of the Company:</b>					
Dividend	(8,000)	-	-	-	(8,000)
<b>At 31 December 2020</b>	467,926	200,000	2,649	6,741	258,536

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 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
<b>Operating activities</b>					
Profit before tax		24,185	44,662	38,029	36,162
Adjustments for:					
Amortisation of intangible assets		259	951	3	3
Amortisation of mine properties	8	1,051	1,071	-	-
Bad debts written off	12	20	-	-	-
Deferred mine exploration and evaluation expenditures written off	8	12	-	-	-
Depreciation	8	15,823	16,504	5,336	6,755
Dividend income received from a subsidiary	5	-	-	(35,937)	(70,785)
Dividend income received from an associate	5	-	-	-	(9)
Fair value changes in forward currency contracts	7,12	(10)	174	453	(517)
Fair value changes in forward tin contracts	12	278	797	278	797
Gain on disposal of property, plant and equipment	7	(110)	-	-	-
Gain on lease modification	7	(17)	-	(17)	-
Impairment of corporate club memberships	10	49	-	49	-
Impairment of mine properties	10	1,920	-	-	-
Impairment of mining rights	10	590	-	-	-
Impairment/(Reversal of impairment) of receivables	10	36	-	36	(3,632)
(Reversal of impairment)/Impairment of investments in associate and joint venture	10	(67)	904	4,996	3,197
Interest expense		14,498	15,336	12,289	14,714
Interest income	6	(838)	(1,153)	(1,500)	(1,315)
(Reversal of inventories written down)/Inventories written down to net realisable value	8	(7,100)	31,100	(7,100)	31,100
Property, plant and equipment written off	12	123	38	122	-
Provision for voluntary separation/retrenchment compensation	9	418	15,000	418	15,000
Reversal of revaluation deficit on property	7	-	-	(96)	(358)
Reversal of provision for tribute no longer required	8	-	(48,354)	-	-
Share of results of associate and joint venture		4,254	4,052	-	-
Unrealised loss/(gain) on exchange		43	104	(55)	22
Unwinding of discount on provision	11	1,448	1,197	-	-
Operating cash flows before changes in working capital		56,865	82,383	17,304	31,134

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
<b>Operating activities (cont'd)</b>					
Increase in inventories		(129,588)	(34,381)	(135,637)	(32,344)
(Increase)/Decrease in receivables		(10,145)	11,903	(10,262)	11,456
Decrease in amount due from subsidiaries		-	-	4,271	2,006
Decrease in amount due from associate and joint venture		-	404	-	404
(Increase)/Decrease in trade prepayments		(4,619)	13,333	(4,619)	13,333
Decrease/(Increase) in other prepayments		909	(930)	(59)	(39)
Increase in payables		2,206	6,200	2,788	1,172
(Decrease)/Increase in amount due to immediate holding company		(33)	14	(33)	14
Decrease in amount due to subsidiaries		-	-	(29,151)	(70,599)
Cash (used in)/generated from operations		(84,405)	78,926	(155,398)	(43,463)
Income tax (paid)/refunded		(5,140)	(18,128)	3,734	(3,359)
Interest paid		(14,873)	(14,364)	(12,132)	(11,611)
Payment for voluntary separation compensation		(2,016)	-	(2,016)	-
Net cash (used in)/generated from operating activities		<u>(106,434)</u>	<u>46,434</u>	<u>(165,812)</u>	<u>(58,433)</u>
<b>Investing activities</b>					
Advances given to subsidiaries		-	-	(9,916)	(5,036)
Interest received		838	1,156	529	576
Net dividend received from an associate	5	-	9	-	9
Net dividend received from a subsidiary	5	-	-	35,937	70,785
Payment for right-of-use assets		(781)	(58)	-	(58)
Payment for deferred mine exploration and evaluation expenditures and mine properties	22	(1,319)	(861)	-	-
Proceeds from disposal of non-current assets classified as held for sale		-	4,556	-	4,556
Proceeds from disposal of property, plant and equipment		115	-	3	-
Purchase of property, plant and equipment		(14,674)	(13,389)	(7,810)	(11,609)
Net cash (used in)/generated from investing activities		<u>(15,821)</u>	<u>(8,587)</u>	<u>18,743</u>	<u>59,223</u>

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
<b>Financing activities</b>					
Advances received from a subsidiary		-	-	16,000	36,400
Dividend paid	15	(8,000)	(8,000)	(8,000)	(8,000)
Drawdown/(Repayment) of short term trade borrowings		138,396	(26,891)	138,396	(26,891)
Payment of lease liabilities		(6,998)	(4,250)	(201)	(127)
Net cash generated from/(used in) financing activities		<u>123,398</u>	<u>(39,141)</u>	<u>146,195</u>	<u>1,382</u>
Net increase/(decrease) in cash and cash equivalents		1,143	(1,294)	(874)	2,172
Effect of changes in foreign exchange rates		(35)	(1)	(35)	(1)
Cash and cash equivalents as at 1 January		<u>35,738</u>	<u>37,033</u>	<u>20,188</u>	<u>18,017</u>
Cash and cash equivalents as at 31 December	29	<u>36,846</u>	<u>35,738</u>	<u>19,279</u>	<u>20,188</u>

### Reconciliation of liabilities arising from financing activities:

#### Group

	← Non-cash changes →					Carrying amount as at 31 December 2020 RM'000
	Carrying amount as at 1 January 2020 RM'000	Cash flows RM'000	Additions RM'000	Derecognition RM'000	Foreign exchange movement RM'000	
2020						
Lease liabilities	10,120	(6,998)	3,906	(1,220)	-	5,808
Loan from immediate holding company	73,461	-	-	-	-	73,461
Short term trade borrowings	216,912	138,396	-	-	(85)	355,223
Term loan	49,259	-	-	-	98	49,357
<b>Total liabilities from financing activities</b>	<b>349,752</b>	<b>131,398</b>	<b>3,906</b>	<b>(1,220)</b>	<b>13</b>	<b>483,849</b>

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### Reconciliation of liabilities arising from financing activities (cont'd):

#### Group

2019	← Non-cash changes →				Carrying amount as at 31 December 2019 RM'000
	Carrying amount as at 1 January 2019 RM'000	Cash flows RM'000	Additions RM'000	Foreign exchange movement RM'000	
Lease liabilities	-	(4,250)	14,370	-	10,120
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	243,838	(26,891)	-	(35)	216,912
Term loan	49,177	-	-	82	49,259
<b>Total liabilities from financing activities</b>	<b>366,476</b>	<b>(31,141)</b>	<b>14,370</b>	<b>47</b>	<b>349,752</b>

#### Company

2020	← Non-cash changes →				Carrying amount as at 31 December 2020 RM'000
	Carrying amount as at 1 January 2020 RM'000	Cash flows RM'000	Derecognition RM'000	Foreign exchange movement RM'000	
Lease liabilities	1,102	(201)	(431)	-	470
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	216,912	138,396	-	(85)	355,223
<b>Total liabilities from financing activities</b>	<b>291,475</b>	<b>138,195</b>	<b>(431)</b>	<b>(85)</b>	<b>429,154</b>

2019	← Non-cash changes →				Carrying amount as at 31 December 2019 RM'000
	Carrying amount as at 1 January 2019 RM'000	Cash flows RM'000	Additions RM'000	Foreign exchange movement RM'000	
Lease liabilities	-	(127)	1,229	-	1,102
Loan from immediate holding company	73,461	-	-	-	73,461
Short term trade borrowings	243,838	(26,891)	-	(35)	216,912
<b>Total liabilities from financing activities</b>	<b>317,299</b>	<b>(27,018)</b>	<b>1,229</b>	<b>(35)</b>	<b>291,475</b>

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 2020

### 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 & 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, associate and joint venture are set out in Notes 19 and 20 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 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 2020, the Group and the Company have adopted the following amendments to MFRS mandatory for annual financial periods beginning on or after 1 January 2020.

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 3 Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements, and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
Conceptual Framework in MFRS Standards:	
• Amendments to MFRS 2 Share-Based Payment	1 January 2020
• Amendment to MFRS 3 Business Combinations	1 January 2020
• Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
• Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
• Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
• Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
• Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
• Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
• Amendment to MFRS 138 Intangible Assets	1 January 2020
• Amendment to IC Interpretation 12 Service Concession Arrangements	1 January 2020
• Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
• Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
• Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
• Amendments to IC Interpretation 132 Intangible Assets – Web Site Costs	1 January 2020
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures – <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9	Effective immediately

Adoption of the above standards did not have material impact on the financial performance or position of the Group and of the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 16 Leases – COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 16 Leases – COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018-2020”	1 January 2022
Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment – Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting policies	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group and the Company will adopt the above new standards when they become effective. A brief discussion on the above significant new standards are summarised below:

#### **Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018–2020”**

The Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 Financial Instruments – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

##### **Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018–2020” (cont'd)**

The Annual Improvements to MFRS Standards 2018–2020 covers amendments to: (cont'd)

- Illustrative Examples accompanying MFRS 16 Leases – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.

##### **Amendments to MFRS 116 Property, Plant and Equipment – Property, Plant and Equipment – Proceeds before Intended Use**

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company shall recognise such sales proceeds and related cost in profit or loss.

##### **Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts-Cost of Fulfilling a Contract**

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

##### **Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa; this could affect a company's loan covenants.

##### **Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting policies**

The Amendments to MFRS 101 requires entities to disclose their material accounting policy information rather than their significant accounting policies. The Amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

##### **Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting policies (cont'd)**

To support the Amendments to MFRS 101, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

##### **Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates**

The Amendments to MFRS 108 revises the definition of accounting estimates to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

#### 2.4 Basis of consolidation

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

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

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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

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, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

#### 2.6 Investments in associate and joint venture

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.6 Investments in associate and joint venture (cont'd)

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 investments 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, investments in associates and joint ventures are accounted for at cost less accumulated impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

#### 2.7 Intangible assets

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 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.

The useful lives of the intangible assets of the Group are as follows:

Mining rights	4 to 11 years
Corporate club memberships	71 to 73 years

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 resources. Changes in the estimated economically recoverable ore resources are accounted for on a prospective basis.

##### (ii) Corporate 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 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)

Exploration and evaluation activity includes:

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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

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 resources. Changes in the estimated economically recoverable ore resources are accounted for on a prospective basis.

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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.10 Property, plant and equipment and depreciation

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

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

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

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

In the tin mining subsidiaries, plant and equipment including mine restoration asset, used in mining are depreciated using the unit-of-production method based on economically recoverable ore except in cases of assets whose useful life is shorter than the life of mine, in which case, the straight-line method is applied. Changes in the estimated economically recoverable ore resources and the useful lives of plant and equipment are accounted for on a prospective basis.

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 a 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	10 to 40 years
Plant, equipment and vehicles	3 to 25 years
Furniture	4 to 10 years

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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 Land held for development

Land held for development consists of land (representing long-term inventories) on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value.

Cost associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Land held for development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

#### 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 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 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.

#### 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.

##### Subsequent measurement

###### Investments in 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

##### Subsequent measurement (cont'd)

##### Investments in debt instruments (cont'd)

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

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

- Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt 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.

##### Investment in equity instruments

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

##### Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

##### **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 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.15 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of trading inventory of refined tin metal is determined on a first-in first-out basis.

Cost of inventories of tin-in-concentrates and tin-in-process which have matching sales contract for refined tin metal from tin smelting operations, are stated at the value of such contract less 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.

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 Group and the Company as lessee*

##### Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group and the Company are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.17 Lease (cont'd)

##### *The Group and the Company as lessee (cont'd)*

###### Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company, and payments of penalties for terminating a lease, if the lease term reflects the Group and the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

###### Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### *The Group and the Company as 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.18 Provisions

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

#### 2.19 Financial liabilities

##### Initial recognition and measurement

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

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

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

##### Subsequent measurement

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

##### Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

##### 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.

##### Derecognition

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

#### 2.20 Offsetting of financial instruments

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.21 Fair value measurement

The Group and the Company measure financial instruments such as derivatives, and non-financial assets such as properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 38(b).

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

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

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

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

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

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

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

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

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

The Group and the Company determine the policies and procedures for recurring fair value measurement for properties and derivatives instruments such as forward currency contracts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.21 Fair value measurement (cont'd)

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.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 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)

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 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 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)

###### *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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.23 Foreign currencies

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

##### i) Transactions and balances

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

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

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

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

##### ii) Group companies

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.24 Revenue and other income recognition

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- (i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

##### (i) Sale of tin

Revenue is recognised when "control" of the goods is transferred to the customer. For sale of tin through Kuala Lumpur Tin Market ("KLTM")/ London Metal Exchange ("LME"), revenue is recognised upon tin warrant issued. For sale of tin to the end-customer, revenue is recognised upon delivery of tin to the customer, or according to the agreed Incoterms with customers.

Tin warrant is a document of possession, used as the means of delivery tin metal under KLTM/ LME contracts.

##### (ii) Smelting revenue

Smelting revenue is recognised at a point in time upon performance of services. The Group and the Company act as an agent to provide tin smelting services on tin materials supply by the customers. The Group and the Company do not own and have no control of the tin materials. The Group and the Company recognise smelting revenue for services provided.

##### (iii) Sale of by-products

Revenue is recognised upon delivery/shipment to the customer, or according to the agreed Incoterms with customers.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

##### (iv) Others

Others represent delivery and handling service charges and warehouse rent and are recognised upon performance of services.

No element of financing is deemed present, as payment is generally made on the basis of cash on delivery or up to 90 days of credit.

##### (v) Other income

- Interest income is recognised on an accrual basis using effective interest method.
- Dividend income is recognised when the Group's and the Company's right to receive payment is established.

#### 2.25 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.

#### 2.26 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.26 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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

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

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

#### 2.27 Employee benefits

##### (a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (b) Defined contribution plans

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

##### (c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits when they are demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### 2.28 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 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### 2.29 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.

#### 2.30 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.

#### 2.31 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 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. The judgements made in applying accounting policies and key sources of estimation uncertainty are discussed below:

#### (a) Depreciation of plant and machinery for tin smelting, refining and tin mining

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. The Group and the Company have increased the useful lives of the machineries and equipment located at Butterworth smelter plant during the year. The revision was accounted for prospectively as a change in accounting estimates and the effect of these changes on depreciation expenses, in current and future periods is as follows:

<b>Group and Company</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(Decrease)/Increase in depreciation expense	<u>(1,725)</u>	575	575	575

In the tin mining subsidiaries, plant and equipment including mine restoration asset used in mining are depreciated using the unit-of-production method based on economically recoverable ore resources except in cases of assets whose useful life is shorter than the life of mine, in which case, the straight-line method is applied. Changes in estimated economically recoverable ore 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 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 16.

#### (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.

The provision for mine restoration costs, based on the methodology proposed by the external consultant and adopted by the subsidiary in its mine restoration plan, represents the current best estimate made by the Board of Directors. 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. Further details in relation to the provision for mine restoration costs are disclosed in Note 30(a).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### (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, and the write-down is reversed when there is indication of recovery. Where actual amount differ from the original estimates, the differences will impact the carrying amount of inventories.

Estimates of net realisable value by the Group and the Company are based on tin price forecasts, ranging from USD18,270 per tonne to USD19,388 per tonne (2019: ranging from USD18,053 per tonne to USD18,280 per tonne), from several independent research houses after taking into consideration fluctuations of price or cost and conditions existing as of the reporting date. Due to unfavourable tin prices, the Group and the Company wrote down RM31,100,000 of its tin-bearing inventories to their net realisable value in 2019. In 2020, following the improvement of tin prices, RM7,100,000 of the write-down was reversed. The carrying amount of inventories at the reporting date is disclosed in Note 24.

The following table demonstrates the sensitivity to a reasonably possible change in the tin price, with all other variables held constant, of the Group's and the Company's profit or loss and carrying amount of tin-bearing inventories at the reporting date:

		<b>(Decrease)/ Increase in profit or loss RM'000</b>	<b>(Decrease)/ Increase in inventories balance RM'000</b>
<b>At 31 December 2020</b>			
Tin price per tonne	decrease by USD500	(13,500)	(13,500)
	increase by USD500	13,500*	13,500*
<b>At 31 December 2019</b>			
Tin price per tonne	decrease by USD500	(11,500)	(11,500)
	increase by USD500	11,500*	11,500*

\* to the extent that the previous write-down to net realisable value was recognised in the profit or loss

On the date the financial statements were authorised for issue, the tin prices recorded on LME and KLTM were USD28,358 per tonne and USD27,670 per tonne respectively.

However, the fluctuation in tin prices after the reporting date and on the date the financial statements were authorised for issue are not an adjusting post balance sheet event.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### (d) Income taxes, deferred tax assets/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 allowance, reinvestment allowance and 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.

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances, unused reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances, unused reinvestment allowances can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The amount of income tax expense recognised in profit or loss and the carrying amount of deferred tax assets/liabilities at the reporting date are disclosed in Notes 13 and 23 respectively.

#### (e) Leases

##### i. Determining the lease term of contracts with renewal options – Group as lessee

The Group and the Company assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company have a lease contract that includes extension option. The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, they consider all relevant factors that create an economic benefit for it to exercise the renewal. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. As at 31 December 2020, the Group and the Company have decided not to exercise the renewal option of the said lease.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### (e) Leases (cont'd)

##### ii. Estimating the incremental borrowing rate

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, they use the incremental borrowing rate ("IBR") to measure liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available, or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Company estimate the IBR using observable inputs (such as market interest rates).

#### (f) Provision for voluntary separation/ retrenchment compensation

Provision for voluntary separation/ retrenchment compensation as disclosed in Note 30, is provided based on the estimated compensation amount to be paid for the affected employees at its existing Butterworth tin smelting plant, who have no intention to relocate to the new tin smelting plant in Pulau Indah. Significant management judgement is required in assessing the past events which have occurred in triggering a present obligation for the provision.

Significant management estimate is required in determining the number of potential employees to be compensated. Where the actual compensation amount differs from the original estimates, the difference may significantly impact the carrying amount of the provision.

#### (g) Ore reserve and mineral resource estimates

Ore reserve and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserve and mineral resource based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. The standards and guidelines used in the resource estimation are complied with The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code").

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### (g) Ore reserve and mineral resource estimates (cont'd)

The change in estimates of ore reserve and mineral resource may impact the Group's reported financial position and results, in the following way:

- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using unit-of-production ("UOP") method, or where the useful life of the related assets change.
- The carrying value of mine properties and property, plant and equipment where their depreciation and amortisation charges are determined using UOP method, may be affected.
- Provision for mine restoration may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities.

#### (h) Impairment of mining rights, deferred mine exploration and evaluation expenditures and mine properties

These require estimates and assumptions on the quantity of economically recoverable ore resources, expected future costs and expenses to produce the metal or minerals, effective interest rates, expected future prices used in the impairment test for mining rights, deferred mine exploration and evaluation expenditures and mine properties. Actual outcomes could differ from these estimates and assumptions.

The recoverable amount of RM3,589,000 as at 31 December 2020 was derived based on management's estimate of value-in-use ("VIU") for SL Tin. In determining the VIU for SL Tin, the cash flows were discounted at a rate of 11.7%.

The carrying amount at the reporting date for mining rights is disclosed in Note 18 and that for deferred mine exploration and evaluation expenditures and mine properties are disclosed in Note 22.

#### (i) Share of loss in investment in joint venture, KM Resources, Inc. ("KMR")

The Board of Directors is of the view that there is no obligation for the Group to inject any further capital into the joint venture either by way of subscription of new shares or by loan, in accordance with the Shareholders Agreement of the joint venture. Accordingly, the losses were shared up to the carrying amount of the investment in joint venture.

Further details of the investment in joint venture are disclosed in Note 20.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 4. Revenue

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sale of tin	761,196	925,511	761,196	925,511
Smelting revenue	36,642	29,154	36,642	29,154
Sale of by-products	12,799	25,335	12,799	25,335
Others	2,722	3,567	2,717	3,564
	<u>813,359</u>	<u>983,567</u>	<u>813,354</u>	<u>983,564</u>

The following table illustrates the Group's revenue as disaggregated by major products or services and provides a reconciliation of the disaggregated revenue with the Group's two business segments as disclosed in Note 39. The table also includes the timing of revenue recognition.

	Tin smelting RM'000	Tin mining RM'000	Sub-total RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
<b>2020</b>					
<b>Major products or services:</b>					
Sale of tin	761,196	160,425	921,621	(160,425)	761,196
Smelting revenue	36,642	-	36,642	-	36,642
Sale of by-products	12,799	-	12,799	-	12,799
Others	2,722	-	2,722	-	2,722
	<u>813,359</u>	<u>160,425</u>	<u>973,784</u>	<u>(160,425)</u>	<u>813,359</u>

#### Timing of revenue recognition

At a point in time	<u>813,359</u>	<u>160,425</u>	<u>973,784</u>	<u>(160,425)</u>	<u>813,359</u>
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### 2019

#### Major products or services:

Sale of tin	925,511	165,652	1,091,163	(165,652)	925,511
Smelting revenue	29,154	-	29,154	-	29,154
Sale of by-products	25,335	-	25,335	-	25,335
Others	3,567	-	3,567	-	3,567
	<u>983,567</u>	<u>165,652</u>	<u>1,149,219</u>	<u>(165,652)</u>	<u>983,567</u>

#### Timing of revenue recognition

At a point in time	<u>983,567</u>	<u>165,652</u>	<u>1,149,219</u>	<u>(165,652)</u>	<u>983,567</u>
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There is no separate disclosure for the disaggregation of revenue for the Company as the Company has only one business segment, i.e. tin smelting.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 5. Dividend income

	Company	
	2020	2019
	RM'000	RM'000
Dividend income from:		
Investment in subsidiaries		
- Unquoted in Malaysia	35,937	70,785
Investments in associate and joint venture		
- Unquoted in Malaysia	-	9
	<u>35,937</u>	<u>70,794</u>

### 6. Interest income

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Subsidiaries	-	-	971	742
- Associate	-	10	-	10
- Deposits placed with licensed banks	496	909	187	329
- Tin sales	342	234	342	234
	<u>838</u>	<u>1,153</u>	<u>1,500</u>	<u>1,315</u>

### 7. Other income

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Management fee	-	-	1,800	1,800
Net gain from settlement of forward tin contracts	-	7,510	-	7,510
Scrap sales	155	938	155	494
Miscellaneous income	14	454	14	227
Gain on disposal of property, plant and equipment	110	-	-	-
Gain on lease modification	17	-	17	-
Net foreign exchange gain:				
- Realised	-	687	231	687
- Unrealised	115	-	86	-
Net fair value changes in derivative financial instruments:				
- Forward currency contracts	10	-	-	517
Reversal of provision for environmental waste removal no longer required (Note 30)	-	842	-	-
Reversal of revaluation deficit on property	-	-	96	358
	<u>421</u>	<u>10,431</u>	<u>2,399</u>	<u>11,593</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**8. Profit before tax**

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
After charging/(crediting):				
Auditors' remuneration:				
- statutory audits	764	691	540	510
- other services	10	220	10	220
Amortisation of mining rights (Note 18)	251	943	-	-
Amortisation of corporate club memberships (Note 18)	8	8	3	3
Amortisation of mine properties (Note 22)	1,051	1,071	-	-
Amortisation expenses	1,310	2,022	3	3
Cost of tin mining and smelting*	680,653	826,536	751,455	956,393
Deferred mine exploration and evaluation expenditures written off (Note 22)*	12	-	-	-
Depreciation of property, plant and equipment (Note 16)	8,872	11,977	5,120	6,617
Depreciation of right-of-use assets (Note 17(a))	6,951	4,527	216	138
Depreciation expenses	15,823	16,504	5,336	6,755
Directors' fees (Note 36(b))	549	501	459	480
(Reversal of inventories written down)/ Inventories written down to net realisable value*	(7,100)	31,100	(7,100)	31,100
Professional indemnity insurance for directors and officers	145	81	145	81
Reversal of provision for tribute no longer required*	-	(48,354)	-	-

\* The costs of tin mining and smelting include cost of purchase, production costs (other than employee benefits expense, depreciation and amortisation), other related costs, deferred mine exploration and evaluation expenditures written off, reversal of provision for tributes no longer required, and reversal of inventories written down/ inventories written down to net realisable value.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 9. Employee benefits expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages and salaries*	49,003	48,412	27,501	27,518
Social security contribution	597	534	296	247
Contribution to defined contribution plan	5,108	4,967	3,250	3,198
Provision for voluntary separation/ retrenchment compensation (Note 30)	418	15,000	418	15,000
Other benefits	1,888	2,775	1,463	2,406
	<u>57,014</u>	<u>71,688</u>	<u>32,928</u>	<u>48,369</u>

\* The Group received government grants totalling RM716,400 (2019: RM Nil) as wage subsidies to retain local employees for approved period during the Coronavirus (COVID-19) outbreak.

The grants were deducted against wages and salaries expenses.

### 10. Impairment losses/(Reversal of impairment losses)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
Impairment of mining rights (Note 18)	590	-	-	-
Impairment of corporate club memberships (Note 18)	49	-	49	-
Impairment of mine properties (Note 22)	1,920	-	-	-
Impairment/(Reversal of impairment) of receivables (Notes 25 and 26)	36	-	36	(3,632)
(Reversal of impairment)/Impairment of investments in associate and joint venture	(67)	904	4,996	3,197
	<u>2,528</u>	<u>904</u>	<u>5,081</u>	<u>(435)</u>

### 11. Finance costs

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense on bank borrowings	10,710	11,665	8,668	9,588
Interest expense on amount due to a subsidiary	-	-	482	2,132
Interest expense on lease liabilities (Note 17(b))	694	706	45	29
Interest expense on loan from immediate holding company	3,094	2,965	3,094	2,965
Commitment fees	15	15	15	15
Unwinding of discount on provision (Note 30)	1,448	1,197	-	-
	<u>15,961</u>	<u>16,548</u>	<u>12,304</u>	<u>14,729</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**12. Other expenses**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Administrative expenses	5,915	10,100	1,968	3,449
Marketing and distribution expenses	658	1,022	658	1,022
Bad debts written off	20	-	-	-
Net foreign exchange loss:				
- Realised	1,321	-	-	-
- Unrealised	-	104	-	22
Net loss from settlement of forward tin contracts	4,575	-	4,575	-
Property, plant and equipment written off	123	38	122	-
Net fair value changes in derivative financial instruments:				
- Forward currency contracts	-	174	453	-
- Forward tin contracts	278	797	278	797
	<u>12,890</u>	<u>12,235</u>	<u>8,054</u>	<u>5,290</u>

**13. Income tax expense**

**Major components of income tax expense**

The major components of income tax expense are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Statements of profit or loss</b>				
Malaysian income tax:				
Current income tax	9,397	13,200	1	-
Under/(Over) provision in prior year	414	(820)	451	-
	<u>9,811</u>	<u>12,380</u>	<u>452</u>	<u>-</u>
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	397	1,749	1,601	(7,499)
(Over)/Under provision in prior year	(673)	(152)	(1,229)	294
	<u>(276)</u>	<u>1,597</u>	<u>372</u>	<u>(7,205)</u>
Income tax expense/(credit) recognised in profit or loss	<u>9,535</u>	<u>13,977</u>	<u>824</u>	<u>(7,205)</u>
<b>Statements of comprehensive income</b>				
Deferred tax related to other comprehensive income (Note 23):				
Net surplus on revaluation of properties	<u>1,290</u>	<u>855</u>	<u>393</u>	<u>27</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 13. Income tax expense (cont'd)

Domestic current income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The income tax rates applicable to foreign subsidiaries are as follows:

	2020	2019
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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
Profit before tax	<u>24,185</u>	<u>44,662</u>	<u>38,029</u>	<u>36,162</u>
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	5,804	10,719	9,127	8,679
Different tax rates in other countries	3	2	-	-
Income not subject to tax	(17)	-	(8,652)	(17,948)
Government grants exempted from tax	(172)	-	-	-
Expenses not deductible for tax purpose	4,176	4,228	1,127	1,770
Under/(Over) provision of tax expense in prior year	414	(820)	451	-
(Over)/Under provision of deferred tax in prior year	<u>(673)</u>	<u>(152)</u>	<u>(1,229)</u>	<u>294</u>
Income tax expense/(credit) recognised in profit or loss	<u>9,535</u>	<u>13,977</u>	<u>824</u>	<u>(7,205)</u>

### 14. 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	
	2020	2019
Profit net of tax attributable to owners of the Company (RM'000)	15,164	30,686
Weighted average number of ordinary shares in issue ('000)	400,000	400,000
Basic and diluted earnings per share (sen)	<u>3.8</u>	<u>7.7</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**15. Dividends**

	2020 RM'000	2019 RM'000	Net dividend per ordinary share	
			2020 sen	2019 sen
First and final single-tier dividend of RM0.02 per share on 400,000,000 ordinary shares, for the year ended 31 December 2018, declared on 24 May 2019 and paid on 28 June 2019	-	8,000	-	2
First and final single-tier dividend of RM0.02 per share on 400,000,000 ordinary shares, for the year ended 31 December 2019, declared on 2 September 2020 and paid on 30 September 2020	8,000	-	2	-
	<u>8,000</u>	<u>8,000</u>	<u>2</u>	<u>2</u>

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 RM0.01 per share amounting to RM4,000,000 for the financial year ended 31 December 2020.

The financial statements for the financial year ended 31 December 2020 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 2021.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 16. 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 2020							
- At cost	-	-	-	131,118	22,800	10,116	164,034
- At valuation	306	29,900	19,922	-	-	-	50,128
	306	29,900	19,922	131,118	22,800	10,116	214,162
Additions	-	-	-	1,325	10,111	14,780	26,216
Disposals	-	-	-	(494)	-	-	(494)
Written off	-	-	-	(6,272)	-	-	(6,272)
Transfer in/(out)	-	-	4,547	10,158	-	(14,705)	-
Revaluation surplus	-	2,988	2,385	-	-	-	5,373
Elimination of accumulated depreciation on revaluation	-	(388)	(1,027)	-	-	-	(1,415)
At 31 December 2020	306	32,500	25,827	135,835	32,911	10,191	237,570
Representing:							
- At cost	-	-	-	135,835	32,911	10,191	178,937
- At valuation	306	32,500	25,827	-	-	-	58,633
At 31 December 2020	306	32,500	25,827	135,835	32,911	10,191	237,570
<b>Accumulated depreciation</b>							
At 1 January 2020	-	-	-	85,707	13,132	-	98,839
Depreciation charge for the year (Note 8)	-	388	1,027	5,975	1,482	-	8,872
Disposals	-	-	-	(489)	-	-	(489)
Written off	-	-	-	(6,149)	-	-	(6,149)
Elimination of accumulated depreciation on revaluation	-	(388)	(1,027)	-	-	-	(1,415)
At 31 December 2020	-	-	-	85,044	14,614	-	99,658
<b>Net carrying amount</b>							
At cost	-	-	-	50,791	18,297	10,191	79,279
At valuation	306	32,500	25,827	-	-	-	58,633
At 31 December 2020	306	32,500	25,827	50,791	18,297	10,191	137,912



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 16. 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>Cost or Valuation</b>							
At 1 January 2019							
- At cost	-	-	-	123,171	22,396	5,286	150,853
- At valuation	306	27,300	19,933	-	-	-	47,539
	<u>306</u>	<u>27,300</u>	<u>19,933</u>	<u>123,171</u>	<u>22,396</u>	<u>5,286</u>	<u>198,392</u>
Additions	-	-	-	842	1,617	12,910	15,369
Reversal	-	-	-	-	(1,213)	-	(1,213)
Disposals	-	-	-	(7)	-	-	(7)
Written off	-	-	-	(730)	-	-	(730)
Transfer in/(out)	-	-	238	7,842	-	(8,080)	-
Revaluation surplus	-	2,950	613	-	-	-	3,563
Elimination of accumulated depreciation on revaluation	-	(350)	(862)	-	-	-	(1,212)
At 31 December 2019	<u>306</u>	<u>29,900</u>	<u>19,922</u>	<u>131,118</u>	<u>22,800</u>	<u>10,116</u>	<u>214,162</u>
Representing:							
- At cost	-	-	-	131,118	22,800	10,116	164,034
- At valuation	306	29,900	19,922	-	-	-	50,128
At 31 December 2019	<u>306</u>	<u>29,900</u>	<u>19,922</u>	<u>131,118</u>	<u>22,800</u>	<u>10,116</u>	<u>214,162</u>
<b>Accumulated depreciation</b>							
At 1 January 2019	-	-	-	76,734	12,039	-	88,773
Depreciation charge for the year (Note 8)	-	350	862	9,672	1,093	-	11,977
Disposals	-	-	-	(7)	-	-	(7)
Written off	-	-	-	(692)	-	-	(692)
Elimination of accumulated depreciation on revaluation	-	(350)	(862)	-	-	-	(1,212)
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,707</u>	<u>13,132</u>	<u>-</u>	<u>98,839</u>
<b>Net carrying amount</b>							
- At cost	-	-	-	45,411	9,668	10,116	65,195
- At valuation	306	29,900	19,922	-	-	-	50,128
At 31 December 2019	<u>306</u>	<u>29,900</u>	<u>19,922</u>	<u>45,411</u>	<u>9,668</u>	<u>10,116</u>	<u>115,323</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 16. 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 2020				
- At cost	-	96,997	9,246	106,243
- At valuation	13,506	-	-	13,506
	<u>13,506</u>	<u>96,997</u>	<u>9,246</u>	<u>119,749</u>
Additions	-	-	8,133	8,133
Disposals	-	(8)	-	(8)
Written off	-	(5,990)	-	(5,990)
Transfer in/(out)	4,547	7,606	(12,153)	-
Revaluation surplus	1,733	-	-	1,733
Elimination of accumulated depreciation on revaluation	(655)	-	-	(655)
At 31 December 2020	<u>19,131</u>	<u>98,605</u>	<u>5,226</u>	<u>122,962</u>
Representing:				
- At cost	-	98,605	5,226	103,831
- At valuation	19,131	-	-	19,131
At 31 December 2020	<u>19,131</u>	<u>98,605</u>	<u>5,226</u>	<u>122,962</u>
<b>Accumulated depreciation</b>				
At 1 January 2020	-	57,258	-	57,258
Depreciation charge for the year (Note 8)	655	4,465	-	5,120
Disposals	-	(5)	-	(5)
Written off	-	(5,868)	-	(5,868)
Elimination of accumulated depreciation on revaluation	(655)	-	-	(655)
At 31 December 2020	<u>-</u>	<u>55,850</u>	<u>-</u>	<u>55,850</u>
<b>Net carrying amount</b>				
- At cost	-	42,755	5,226	47,981
- At valuation	19,131	-	-	19,131
At 31 December 2020	<u>19,131</u>	<u>42,755</u>	<u>5,226</u>	<u>67,112</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**16. Property, plant and equipment (cont'd)**

<b>Company</b>	<b>Buildings RM'000</b>	<b>Plant, equipment, vehicles and furniture RM'000</b>	<b>Capital work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>Cost or Valuation</b>				
At 1 January 2019				
- At cost	-	89,155	5,116	94,271
- At valuation	13,509	-	-	13,509
	<u>13,509</u>	<u>89,155</u>	<u>5,116</u>	<u>107,780</u>
Additions	-	-	11,972	11,972
Transfer in/(out)	-	7,842	(7,842)	-
Revaluation surplus	470	-	-	470
Elimination of accumulated depreciation on revaluation	(473)	-	-	(473)
At 31 December 2019	<u>13,506</u>	<u>96,997</u>	<u>9,246</u>	<u>119,749</u>
<b>Representing:</b>				
- At cost	-	96,997	9,246	106,243
- At valuation	13,506	-	-	13,506
At 31 December 2019	<u>13,506</u>	<u>96,997</u>	<u>9,246</u>	<u>119,749</u>
<b>Accumulated depreciation</b>				
At 1 January 2019	-	51,114	-	51,114
Depreciation charge for the year (Note 8)	473	6,144	-	6,617
Elimination of accumulated depreciation on revaluation	(473)	-	-	(473)
At 31 December 2019	<u>-</u>	<u>57,258</u>	<u>-</u>	<u>57,258</u>
<b>Net carrying amount</b>				
- At cost	-	39,739	9,246	48,985
- At valuation	13,506	-	-	13,506
At 31 December 2019	<u>13,506</u>	<u>39,739</u>	<u>9,246</u>	<u>62,491</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 16. Property, plant and equipment (cont'd)

#### Group

Land and buildings owned by the Group were revalued on 31 December 2020 based on valuations carried out by independent firms of professional valuers as follows:

Description of Property	Valuation RM'000
(i) Land and buildings in Pulau Indah Industrial Park	51,535
(ii) 80 units of flats in Bukit Mertajam	4,496
(iii) Land and buildings in Daerah Hulu Perak	2,602
	<u>58,633</u>

Further details on the valuation are disclosed in Note 38(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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Freehold land	105	105	-	-
Leasehold land	23,385	23,693	-	-
Buildings	<u>19,168</u>	<u>15,566</u>	<u>14,873</u>	<u>11,004</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**17. Right-of-use assets and lease liabilities**

**(a) Right-of-use assets**

<b>Group</b>	<b>Leasehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January 2020	13,626	691	596	14,913
Additions	4,687	-	-	4,687
Derecognition*	(789)	(691)	-	(1,480)
At 31 December 2020	<u>17,524</u>	<u>-</u>	<u>596</u>	<u>18,120</u>
<b>Accumulated depreciation</b>				
At 1 January 2020	4,389	138	-	4,527
Depreciation charge for the year (Note 8)	6,735	138	78	6,951
Derecognition*	-	(276)	-	(276)
At 31 December 2020	<u>11,124</u>	<u>-</u>	<u>78</u>	<u>11,202</u>
<b>Net carrying amount</b>				
At 31 December 2020	<u>6,400</u>	<u>-</u>	<u>518</u>	<u>6,918</u>
<b>Group</b>	<b>Leasehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January 2019	485	691	-	1,176
Additions	13,141	-	596	13,737
At 31 December 2019	<u>13,626</u>	<u>691</u>	<u>596</u>	<u>14,913</u>
<b>Accumulated depreciation</b>				
At 1 January 2019	-	-	-	-
Depreciation charge for the year (Note 8)	4,389	138	-	4,527
At 31 December 2019	<u>4,389</u>	<u>138</u>	<u>-</u>	<u>4,527</u>
<b>Net carrying amount</b>				
At 31 December 2019	<u>9,237</u>	<u>553</u>	<u>596</u>	<u>10,386</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 17. Right-of-use assets and lease liabilities (cont'd)

#### (a) Right-of-use assets (cont'd)

Company	Buildings RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2020	691	596	1,287
Derecognition*	(691)	-	(691)
At 31 December 2020	-	596	596
<b>Accumulated depreciation</b>			
At 1 January 2020	138	-	138
Depreciation charge for the year (Note 8)	138	78	216
Derecognition*	(276)	-	(276)
At 31 December 2020	-	78	78
<b>Net carrying amount</b>			
At 31 December 2020	-	518	518
<b>Company</b>			
	Buildings RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2019	691	-	691
Additions	-	596	596
At 31 December 2019	691	596	1,287
<b>Accumulated depreciation</b>			
At 1 January 2019	-	-	-
Depreciation charge for the year (Note 8)	138	-	138
At 31 December 2019	138	-	138
<b>Net carrying amount</b>			
At 31 December 2019	553	596	1,149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**17. Right-of-use assets and lease liabilities (cont'd)**

**(b) Lease liabilities**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Non-current</b>				
Lease liabilities	4,187	3,184	406	901
<b>Current</b>				
Lease liabilities	1,621	6,936	64	201
Total lease liabilities	<u>5,808</u>	<u>10,120</u>	<u>470</u>	<u>1,102</u>

The movement of lease liabilities during the year is as follow:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	10,120	691	1,102	691
Additions	3,906	13,679	-	538
Derecognition*	(1,220)	-	(431)	-
Interest charged (Note 11)	694	706	45	29
Payments of:				
- Principal	(6,998)	(4,250)	(201)	(127)
- Interest	(694)	(706)	(45)	(29)
At 31 December	<u>5,808</u>	<u>10,120</u>	<u>470</u>	<u>1,102</u>

\* Derecognition during the year as a result of early termination of lease of land, and a lease modification for not exercising the extension option of lease of an office premises. Following the derecognition of right-of-use assets and lease liabilities, a gain on lease modification of RM17,000 was recognised in profit or loss.

The following are the amounts recognised in profit or loss:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Expense relating to short-term leases	3,271	1,724	1,209	1,111
Expense relating to leases of low-value assets	<u>199</u>	<u>174</u>	<u>149</u>	<u>128</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 18. Intangible assets

Group	Mining rights RM'000	Corporate club memberships RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2019/ 31 December 2019/ 31 December 2020	21,817	566	22,383
<b>Accumulated amortisation and impairment losses</b>			
At 1 January 2020	18,260	60	18,320
Amortisation for the year (Note 8)	251	8	259
Impairment loss (Note 10)	590	49	639
At 31 December 2020	19,101	117	19,218
At 1 January 2019	17,317	52	17,369
Amortisation for the year (Note 8)	943	8	951
At 31 December 2019	18,260	60	18,320
<b>Net carrying amount</b>			
At 31 December 2020	2,716	449	3,165
At 31 December 2019	3,557	506	4,063
<b>Company</b>			<b>Corporate club membership RM'000</b>
<b>Cost</b>			
At 1 January 2019/ 31 December 2019/ 31 December 2020			215
<b>Accumulated amortisation and impairment losses</b>			
At 1 January 2020			17
Amortisation for the year (Note 8)			3
Impairment loss (Note 10)			49
At 31 December 2020			69
At 1 January 2019			14
Amortisation for the year (Note 8)			3
At 31 December 2019			17
<b>Net carrying amount</b>			
At 31 December 2020			146
At 31 December 2019			198



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 18. Intangible assets (cont'd)

#### Mining rights

These consist of the mining rights of Rahman Hydraulic Tin Sdn. Bhd. ("RHT") and SL Tin Sdn. Bhd. ("SL Tin"). Based on the assessment and review carried out by the management, an impairment loss of RM590,000 (2019: RM Nil) was recognised in profit or loss of the Group in respect of the mining rights of SL Tin. Significant accounting judgements and estimates involved in determining the impairment loss are disclosed in Note 3(h).

#### Corporate club memberships

An impairment loss of RM49,000 (2019: RM Nil) was recognised in profit or loss of the Group and the Company respectively. The recoverable amount was derived based on management's estimate of its fair value less costs to sell.

### 19. Investment in subsidiaries

Company	2020 RM'000	2019 RM'000
Unquoted shares, at cost	<u>148,781</u>	<u>148,681</u>

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 <sup>^</sup>		Proportion of ownership interest held by non-controlling interests <sup>^</sup>	
			2020 %	2019 %	2020 %	2019 %
<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	Property holding and rental	100	100	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 19. Investment in subsidiaries (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>	
			2020	2019	2020	2019
			%	%	%	%
<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 non-controlling interests in respect of SL Tin and PT SRM are not material to the Group.

### 20. Investments in associate and joint venture

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Investment in associate</b>				
<b>In Malaysia:</b>				
Unquoted shares, at cost	10,473	10,473	10,473	10,473
Share of post-acquisition reserves	15,526	14,967	-	-
	<u>25,999</u>	<u>25,440</u>	<u>10,473</u>	<u>10,473</u>
	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000 (restated)
<b>Investment in joint venture</b>				
<b>In Malaysia:</b>				
Unquoted shares, at cost	8,193	8,193	8,193	8,193
Share of post-acquisition reserves	(1,154)	3,909	-	-
	<u>7,039</u>	<u>12,102</u>	<u>8,193</u>	<u>8,193</u>
Accumulated impairment losses	(7,039)	(7,106)	(8,193)	(3,197)
	<u>-</u>	<u>4,996</u>	<u>-</u>	<u>4,996</u>
<b>Total investments in associate and joint venture</b>	<u>25,999</u>	<u>30,436</u>	<u>10,473</u>	<u>15,469</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**20. Investments in associate and joint venture (cont'd)**

The Group has not recognised loss relating to KM Resources, Inc. ("KMR") where its share of loss exceeds the Group's interest in this joint venture. The share of loss not recognised by the Group was RM10,740,000 in the current financial year. Significant accounting judgement in relation to the share of loss not recognised is disclosed in Note 3(i).

**(i) Investment in associate**

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

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest*		Accounting model applied
			2020 %	2019 %	
<b>Held by the Company:</b>					
Redring Solder (M) Sdn. Bhd. ("Redring")	Malaysia	Manufacture and sale of solder products and letting of properties	40	40	Equity method

\* equals to the proportion of voting rights held

The associate has the same reporting period as the Group. No quoted market prices are available for the shares of Redring as it is a private company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 20. Investments in associate and joint ventures (cont'd)

#### (i) Investment in associate (cont'd)

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:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	17,504	18,101
Current assets	56,894	51,520
Total assets	<u>74,398</u>	<u>69,621</u>
Non-current liabilities	587	728
Current liabilities	8,813	5,292
Total liabilities	<u>9,400</u>	<u>6,020</u>
Net assets	<u>64,998</u>	<u>63,601</u>

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

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	68,036	77,360
Profit/(Loss) before tax	2,771	(4,659)
Profit/(Loss) for the year	1,317	(4,478)
Other comprehensive income/(loss)	80	(79)
Total comprehensive income/(loss)	<u>1,397</u>	<u>(4,557)</u>

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

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Net assets at 31 December	64,998	63,601
Interest in associate	40%	40%
Carrying value of Group's interest in associate	<u>25,999</u>	<u>25,440</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 20. Investments in associate and joint ventures (cont'd)

#### (ii) Investment in joint venture

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

Name of joint venture	Country of incorporation	Proportion of ownership interest*		Nature of relationship	Accounting model applied
		2020 %	2019 %		
<b>Held by the Company:</b>					
KM Resources, Inc. ("KMR")	Labuan, Malaysia	30	30	Note (a)	Equity method

\* equals to the proportion of voting rights held

#### Note (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.

KMR has the same reporting period as the Group. No quoted market price is available for the shares of KMR as it is a private company.

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:

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Non-current assets	38,359	40,426
Cash and cash equivalents	5,659	7,576
Other current assets	234	208
Total current assets	5,893	7,784
Total assets	44,252	48,210
Current liabilities (excluding trade and other payables and provisions)	24	-
Trade and other payables and provisions	22,130	6,709
Total current liabilities	22,154	6,709
Non-current liabilities (excluding trade and other payables and provisions)	1,105	1,160
Trade and other payables and provisions	33,330	-
Total non-current liabilities	34,435	1,160
Total liabilities	56,589	7,869
Net (liabilities)/assets	(12,337)	40,341

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 20. Investments in associate and joint venture (cont'd)

#### (ii) Investment in joint venture (cont'd)

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

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Interest income	123	133
Loss before tax	(51,926)	(10,811)
Loss after tax	(51,926)	(10,811)
Loss after tax - attributable to owners of the Company	(51,737)	(7,536)
Other comprehensive (loss)/income	(940)	964
Total comprehensive loss	<u>(52,677)</u>	<u>(6,572)</u>

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

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Net (liabilities)/assets at 31 December	(12,337)	40,341
Interest in joint venture	30%	30%
	<u>(3,701)</u>	<u>12,102</u>
Accumulated impairment losses	(7,039)	(7,106)
Group's interest in joint venture	<u>(10,740)</u>	<u>4,996</u>
Unrecognised share of loss	10,740	-
Carrying value of Group's interest in joint venture	<u>-</u>	<u>4,996</u>

### 21. Investment securities

<b>Group and Company</b>	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Equity securities</b>		
Quoted investments	<u>23,359</u>	<u>9,762</u>

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:

<b>Group and Company</b>	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
At fair value through other comprehensive income		
- Equity securities (quoted)		
- Decklar Resources Inc. ("Decklar") (formerly known as Asian Mineral Resources Limited)*	124	295
- Alphamin Resources Corp. ("Alphamin")	<u>23,235</u>	<u>9,467</u>
	<u>23,359</u>	<u>9,762</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 21. Investment securities (cont'd)

\* Asian Mineral Resources Limited has changed its corporate name to Decklar Resources Inc., effective 9 September 2020.

Decklar and Alphamin are both incorporated in Canada and listed on the Toronto Venture Exchange.

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.

### 22. Other non-current assets

<b>Group</b>	<b>Deferred mine exploration and evaluation expenditures RM'000</b>	<b>Mine properties RM'000</b>	<b>Total RM'000</b>
At 1 January 2020	11,117	2,714	13,831
Additions	1,097	222	1,319
Transfer (out)/in	(11,716)	11,716	-
Amortisation to profit or loss (Note 8)	-	(1,051)	(1,051)
Written off to profit or loss (Note 8)	(12)	-	(12)
Impairment loss recognised in profit or loss (Note 10)	-	(1,920)	(1,920)
At 31 December 2020	<u>486</u>	<u>11,681</u>	<u>12,167</u>
At 1 January 2019	10,256	3,785	14,041
Additions	861	-	861
Amortisation to profit or loss (Note 8)	-	(1,071)	(1,071)
At 31 December 2019	<u>11,117</u>	<u>2,714</u>	<u>13,831</u>

Deferred mine exploration and evaluation expenditures and mine properties represent expenditures incurred on several areas of interest of RHT and SL Tin. 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 resources.

Based on the assessment and review carried out by the management, an impairment loss of RM1,920,000 (2019: RM Nil) was recognised in profit or loss of the Group in respect of the mine properties of SL Tin. Significant accounting judgements and estimates involved in determining the impairment loss are disclosed in Note 3(h).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 23. Deferred tax

Deferred tax (assets)/ liabilities	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	(7,545)	(7,575)	(6,893)	285
Recognised in profit or loss (Note 13)	(276)	1,597	372	(7,205)
Recognised in other comprehensive income (Note 13)	1,290	855	393	27
Payment for real property gains tax	-	(2,422)	-	-
At 31 December	<u>(6,531)</u>	<u>(7,545)</u>	<u>(6,128)</u>	<u>(6,893)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(9,085)	(9,457)	(6,128)	(6,893)
Deferred tax liabilities	2,554	1,912	-	-
	<u>(6,531)</u>	<u>(7,545)</u>	<u>(6,128)</u>	<u>(6,893)</u>
Presented prior to offsetting as follows:				
Deferred tax assets	(16,830)	(15,071)	(13,614)	(13,344)
Deferred tax liabilities	10,299	7,526	7,486	6,451
	<u>(6,531)</u>	<u>(7,545)</u>	<u>(6,128)</u>	<u>(6,893)</u>

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	Fair value changes on derivative financial instruments RM'000	Total RM'000
Recognised in profit or loss	1,658	(175)	1,483
Recognised in other comprehensive income	1,290	-	1,290
At 31 December 2020	<u>10,407</u>	<u>(108)</u>	<u>10,299</u>
At 1 January 2019	9,990	135	10,125
Recognised in profit or loss	(964)	(68)	(1,032)
Recognised in other comprehensive income	855	-	855
Payment for real property gains tax	(2,422)	-	(2,422)
At 31 December 2019	<u>7,459</u>	<u>67</u>	<u>7,526</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**23. Deferred tax (cont'd)**

**Deferred tax liabilities (cont'd)**

	<b>Property, plant and equipment RM'000</b>	<b>Fair value changes on derivative financial instruments RM'000</b>	<b>Total RM'000</b>
<b>Company</b>			
At 1 January 2020	6,384	67	6,451
Recognised in profit or loss	817	(175)	642
Recognised in other comprehensive income	393	-	393
At 31 December 2020	<u>7,594</u>	<u>(108)</u>	<u>7,486</u>
At 1 January 2019	6,519	135	6,654
Recognised in profit or loss	(162)	(68)	(230)
Recognised in other comprehensive income	27	-	27
At 31 December 2019	<u>6,384</u>	<u>67</u>	<u>6,451</u>

**Deferred tax assets**

	<b>Unutilised tax losses and unabsorbed capital allowances RM'000</b>	<b>Unutilised reinvestment allowance RM'000</b>	<b>Receivables RM'000</b>	<b>Other provisions RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Group</b>						
At 1 January 2020	(4,895)	(1,991)	(168)	(8,017)	-	(15,071)
Recognised in profit or loss	3,403	1,276	(9)	(6,158)	(271)	(1,759)
At 31 December 2020	<u>(1,492)</u>	<u>(715)</u>	<u>(177)</u>	<u>(14,175)</u>	<u>(271)</u>	<u>(16,830)</u>
At 1 January 2019	(538)	(2,241)	(168)	(14,753)	-	(17,700)
Recognised in profit or loss	(4,357)	250	-	6,736	-	2,629
At 31 December 2019	<u>(4,895)</u>	<u>(1,991)</u>	<u>(168)</u>	<u>(8,017)</u>	<u>-</u>	<u>(15,071)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 23. Deferred tax (cont'd)

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

Company	Unutilised tax losses and unabsorbed capital allowances RM'000	Unutilised reinvestment allowance RM'000	Receivables RM'000	Other provisions RM'000	Others RM'000	Total RM'000
At 1 January 2020	(4,895)	(1,991)	(168)	(6,290)	-	(13,344)
Recognised in profit or loss	<u>3,512</u>	<u>1,276</u>	<u>(9)</u>	<u>(4,778)</u>	<u>(271)</u>	<u>(270)</u>
At 31 December 2020	<u>(1,383)</u>	<u>(715)</u>	<u>(177)</u>	<u>(11,068)</u>	<u>(271)</u>	<u>(13,614)</u>
At 1 January 2019	(538)	(2,241)	(168)	(3,422)	-	(6,369)
Recognised in profit or loss	<u>(4,357)</u>	<u>250</u>	<u>-</u>	<u>(2,868)</u>	<u>-</u>	<u>(6,975)</u>
At 31 December 2019	<u>(4,895)</u>	<u>(1,991)</u>	<u>(168)</u>	<u>(6,290)</u>	<u>-</u>	<u>(13,344)</u>

### 24. Inventories

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At cost:</b>				
Inventories of tin-in-concentrates, tin- in-process and refined tin metal	115,062	68,057	124,886	72,101
Other inventories (stores, spares, fuels, coal and saleable by- products)	<u>10,753</u>	<u>10,619</u>	<u>6,859</u>	<u>6,456</u>
	<u>125,815</u>	<u>78,676</u>	<u>131,745</u>	<u>78,557</u>
<b>At net realisable value:</b>				
Inventories of tin-in-concentrates, tin- in-process and refined tin metal	<u>478,316</u>	<u>388,767</u>	<u>478,316</u>	<u>388,767</u>
	<u>604,131</u>	<u>467,443</u>	<u>610,061</u>	<u>467,324</u>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 24. Inventories (cont'd)

Due to unfavourable tin prices, the Group and the Company wrote down RM31,100,000 of its tin-bearing inventories to their net realisable value in 2019. In 2020, following the improvement of tin prices, RM7,100,000 of the write-down was reversed.

The cost of inventories recognised as an expense in cost of sales is RM680,653,000 (2019: RM826,536,000) for the Group and RM751,455,000 (2019: RM956,393,000) for the Company.

### 25. Trade receivables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Current</b>				
Third parties	26,312	14,376	26,310	14,374
Allowance for impairment - Third parties	(736)	(700)	(736)	(700)
Trade receivable, net	25,576	13,676	25,574	13,674
Add: <b>Other receivables excluding GST recoverable</b> (Note 26)	1,148	1,156	36,358	28,840
Add: <b>Cash and bank balances</b> (Note 29)	36,846	35,738	19,279	20,188
<b>Total financial assets carried at amortised cost</b>	<b>63,570</b>	<b>50,570</b>	<b>81,211</b>	<b>62,702</b>

#### Credit risk

The Group's and the Company's normal trade credit terms range from cash term to 90 days (2019: from cash term to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

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

The aging analysis of trade receivables is as follows:

	Gross RM'000	Allowance for impairment RM'000	Net RM'000
<b>Group</b>			
<b>At 31 December 2020</b>			
Not past due	25,328	-	25,328
Past due:			
Less than 30 days	-	-	-
30 to 60 days	240	-	240
61 to 90 days	6	-	6
91 to 120 days	-	-	-
More than 120 days	738	736	2
	984	736	248
<b>Total</b>	<b>26,312</b>	<b>736</b>	<b>25,576</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 25. Trade receivables (cont'd)

The aging analysis of trade receivables is as follows: (cont'd)

Group	Gross RM'000	Allowance for impairment RM'000	Net RM'000
<b>At 31 December 2019</b>			
Not past due	13,556	-	13,556
Past due:			
Less than 30 days	-	-	-
30 to 60 days	74	-	74
61 to 90 days	10	-	10
91 to 120 days	-	-	-
More than 120 days	736	700	36
	<u>820</u>	<u>700</u>	<u>120</u>
Total	<u>14,376</u>	<u>700</u>	<u>13,676</u>

Company	Gross RM'000	Allowance for impairment RM'000	Net RM'000
<b>At 31 December 2020</b>			
Not past due	25,326	-	25,326
Past due:			
Less than 30 days	-	-	-
30 to 60 days	240	-	240
61 to 90 days	6	-	6
91 to 120 days	-	-	-
More than 120 days	738	736	2
	<u>984</u>	<u>736</u>	<u>248</u>
Total	<u>26,310</u>	<u>736</u>	<u>25,574</u>

<b>At 31 December 2019</b>			
Not past due	13,554	-	13,554
Past due:			
Less than 30 days	-	-	-
30 to 60 days	74	-	74
61 to 90 days	10	-	10
91 to 120 days	-	-	-
More than 120 days	736	700	36
	<u>820</u>	<u>700</u>	<u>120</u>
Total	<u>14,374</u>	<u>700</u>	<u>13,674</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**25. Trade receivables (cont'd)**

**Receivables that are neither past due nor impaired**

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

At the reporting date, the Group and the Company have trade receivables arising from export sales amounting to RM7,651,000 (2019: RM2,805,000) which are to be settled via letters of credit issued by reputable banks in the countries where the customers are based.

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

Both the Group and the Company have trade receivables amounting to RM248,000 (2019: RM120,000) 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.

**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:

	<b>Group/Company Individually impaired</b>	
	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Trade receivables-nominal amounts	736	700
Less: Allowance for impairment	<u>(736)</u>	<u>(700)</u>
	<u>-</u>	<u>-</u>

Movement in the allowance accounts:

	<b>Group/Company</b>	
	<b>2020 RM'000</b>	<b>2019 RM'000</b>
At 1 January	700	700
Impairment for the year (Note 10)	36	-
At 31 December	<u>736</u>	<u>700</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 26. Other receivables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Current</b>				
Third parties	92	117	79	54
Subsidiaries	-	-	35,370	27,889
Joint venture	1	1	1	1
	<u>93</u>	<u>118</u>	<u>35,450</u>	<u>27,944</u>
Deposits	1,055	1,038	908	896
GST recoverable	-	1,839	-	1,747
Total other receivables	<u>1,148</u>	<u>2,995</u>	<u>36,358</u>	<u>30,587</u>
Less: GST recoverable	-	(1,839)	-	(1,747)
<b>Total other receivables excluding GST recoverable</b>	<u>1,148</u>	<u>1,156</u>	<u>36,358</u>	<u>28,840</u>

#### Amounts due from subsidiaries

These are unsecured and repayable on demand and include advances amounting to RM34,819,000 (2019: RM27,867,000) where interest rates ranging from 3.0% to 4.0% (2019: 3.0% to 4.0%) per annum is charged.

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

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

#### Receivables that are impaired

Movement in the allowance accounts:

	12-month ECL allowance RM'000	Lifetime ECL allowance RM'000	Total allowance RM'000
<b>Company</b>			
At 1 January 2019	-	3,632	3,632
Reversal of impairment losses (Note 10)	-	(3,632)	(3,632)
At 31 December 2019/ At 1 January 2020/ 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>

For the financial year ended 31 December 2019, the Company has reversed an allowance of RM3,632,000 of the advances to a subsidiary due to recovery/recoverable of debts.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**27. Trade prepayments**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group and Company</b>		
Trade prepayments	<u>10,255</u>	<u>5,636</u>

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

**28. Derivative financial instruments**

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

	<b>Group</b>		<b>Company</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 31 December 2020</b>				
Forward currency contracts	625	531	625	-
Forward tin contracts	-	1,075	-	1,075
	<u>625</u>	<u>1,606</u>	<u>625</u>	<u>1,075</u>
Analysed as:				
Current	<u>625</u>	<u>1,075</u>	<u>625</u>	<u>1,075</u>
Non-current	<u>-</u>	<u>531</u>	<u>-</u>	<u>-</u>
<b>At 31 December 2019</b>				
Forward currency contracts	1,078	994	1,078	-
Forward tin contracts	-	797	-	797
	<u>1,078</u>	<u>1,791</u>	<u>1,078</u>	<u>797</u>
Analysed as:				
Current	<u>1,078</u>	<u>1,791</u>	<u>1,078</u>	<u>797</u>
Non-current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**(a) Forward currency contracts**

Forward currency contracts were entered into for the purpose of managing foreign exchange risk. The fair value changes of these contracts are recognised in profit or loss. During the financial year, there were no contracts designated as cash flow or fair value hedge.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 28. Derivative financial instruments (cont'd)

#### (b) Forward tin contracts

Forward tin contracts were entered into for tin trading, arbitraging for profit and to manage tin price risk. The fair value changes of these contracts are recognised in profit or loss. During the financial year, there were no contracts designated as cash flow or fair value hedge.

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

#### At 31 December 2020

##### (i) 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 and purchases payables.

<b>Sell USD</b>	<b>Range of maturity period</b>	<b>Average exchange rate RM/USD</b>
USD14,674,000	From January 2021 to June 2021	4.0716

A fair value gain of RM625,000 with a deferred tax expense of RM150,000 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):

<b>Buy SGD</b>	<b>Maturity period</b>	<b>Average exchange rate RM/SGD</b>
SGD16,200,000	November 2022	3.1448

A fair value loss of RM531,000 in respect of these contracts has been recognised in profit or loss.

##### (ii) Forward tin contracts not designated as hedges

Forward tin contracts not designated as hedges to manage its tin price risk.

<b>Tin sales contracts</b>	<b>Range of maturity period</b>	<b>Average tin price per tonne</b>
USD4,356,000	From January 2021 to February 2021	USD18,148

A fair value loss of RM2,298,000 with a deferred tax benefit of RM552,000 in respect of these contracts has been recognised in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 28. Derivative financial instruments (cont'd)

#### At 31 December 2020 (cont'd)

#### (ii) Forward tin contracts not designated as hedges (cont'd)

Tin purchases contracts	Range of maturity period	Average tin price per tonne
USD3,878,000	From February 2021 to March 2021	USD18,919

A fair value gain of RM1,223,000 with a deferred tax expense of RM294,000 in respect of these contracts has been recognised in profit or loss.

#### At 31 December 2019

#### (i) 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 and purchases payables.

Sell USD	Range of maturity period	Average exchange rate RM/USD
USD16,350,000	From January 2020 to June 2020	4.1675

A fair value gain of RM1,102,000 with a deferred tax expense of RM264,000 in respect of these contracts has been recognised in profit or loss.

Buy USD	Maturity period	Average exchange rate RM/USD
USD1,436,000	January 2020	4.1094

A fair value loss of RM24,000 with a deferred tax benefit of RM6,000 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	Maturity period	Average exchange rate RM/SGD
SGD16,200,000	November 2020	3.1380

A fair value loss of RM994,000 in respect of these contracts has been recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 28. Derivative financial instruments (cont'd)

At 31 December 2019 (cont'd)

#### (ii) Forward tin contracts not designated as hedges

Forward tin contracts not designated as hedges to manage its tin price risk.

Tin sales contracts	Range of maturity period	Average tin price per tonne
USD6,328,000	From January 2020 to March 2020	USD16,653

A fair value loss of RM836,000 with a deferred tax benefit of RM200,000 in respect of these contracts has been recognised in profit or loss.

Tin purchases contracts	Range of maturity period	Average tin price per tonne
USD935,000	From January 2020 to March 2020	USD17,007

A fair value gain of RM39,000 with a deferred tax expense of RM9,000 in respect of these contracts has been recognised in profit or loss.

### 29. Cash, bank balances and deposits

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash on hand and at banks	10,079	8,933	6,184	3,602
Deposits of up to three months maturity with licensed banks	26,767	26,805	13,095	16,586
Cash, bank balances and deposits/Cash and cash equivalents	<u>36,846</u>	<u>35,738</u>	<u>19,279</u>	<u>20,188</u>

Deposits are made for varying periods of between 1 day and 3 months (2019: between 1 day and 3 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 2020 for the Group and the Company were 1.5% (2019: 2.9%) and 1.5% (2019: 2.6%) per annum, respectively.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**30. Provisions**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Provision for mine restoration				
- RHT	37,990	26,493	-	-
- SL Tin	1,679	1,617	-	-
	39,669	28,110	-	-
Provision for voluntary separation/ retrenchment compensation	13,257	15,000	13,257	15,000
Provision for environmental waste removal	-	-	-	-
	<u>52,926</u>	<u>43,110</u>	<u>13,257</u>	<u>15,000</u>
Analysed as:				
Current	<u>13,798</u>	<u>15,458</u>	<u>13,257</u>	<u>15,000</u>
Non-current	<u>39,128</u>	<u>27,652</u>	<u>-</u>	<u>-</u>

**Provision for mine restoration**

	Group	
	2020 RM'000	2019 RM'000
At 1 January	28,110	26,509
Provision during the year	10,111	404
Unwinding of discount on provision (Note 11)	1,448	1,197
At 31 December	<u>39,669</u>	<u>28,110</u>
Current	541	458
Non-current:		
Later than 1 year but not later than 2 years	544	449
Later than 2 years but not later than 5 years	2,402	15,346
Later than 5 years	36,182	11,857
	<u>39,128</u>	<u>27,652</u>
	<u>39,669</u>	<u>28,110</u>

**Provision for voluntary separation/  
retrenchment compensation**

	Group and Company	
	2020 RM'000	2019 RM'000
At 1 January	15,000	-
Provision during the year (Note 9)	418	15,000
Reclassified to trade and other payables	(145)	-
Paid during the year	(2,016)	-
At 31 December	<u>13,257</u>	<u>15,000</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 30. Provisions (cont'd)

<b>Provision for environmental waste removal</b>	<b>Group 2019 RM'000</b>
At 1 January	2,400
Utilisation during the year	(1,558)
Reversal during the year (Note 7)	(842)
At 31 December	<u>-</u>

#### (a) Provision for mine restoration

The Group's tin mining activity is conducted principally through its subsidiary, 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.

RHT has engaged an external consultant specialising in mine rehabilitation to carry out an assessment on the mine restoration plan which was resubmitted to the relevant authorities in year 2017. RHT received a letter dated 7 June 2018 from the authority which indicated that the mine restoration plan was rejected, however no specific reason was indicated in the rejection letter.

In January 2019, RHT applied for the extension of mining leases by surrendering the existing mining leases and applying for new mining leases. In November 2019, RHT has obtained approval from the authority to extend the mining leases to year 2034.

RHT is required to prepare and submit a new mine restoration plan under the newly issued and approved mining leases obtained in November 2019. In September 2020, RHT has re-submitted its original mine restoration plan ("original MRP") amounting to RM28.9 million (net present value: RM26.5 million) to the relevant authorities.

During the year, an additional provision for mine restoration cost amounting to RM10.0 million was made in respect of the adjoining Western side of the current mine pit of RHT according to the bases and assumptions used in original MRP. The new mine restoration plan (including the adjoining Western side of the current mine pit) amounting to RM38.9 million (net present value: RM38.0 million) will be submitted upon approval of the original MRP by the relevant authorities.

On the date the financial statements were authorised for issued, there were no further developments or feedback from the relevant authorities in relation to the original MRP.

#### (b) Provision for voluntary separation/ retrenchment compensation

The provision for voluntary separation/ retrenchment compensation mainly comprises of employee termination costs and other related costs.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 30. Provisions (cont'd)

#### (b) Provision for voluntary separation/ retrenchment compensation (cont'd)

The provision amounting to RM15,000,000 as at 31 December 2019 was in respect of the estimated compensation for Voluntary Separation Scheme as disclosed in Note 40. The scheme was closed and completed on 31 December 2020, of which an amount of RM2,016,000 has been paid out to the affected employees.

The provision amounting to RM13,257,000 as at 31 December 2020 is the remaining estimated compensation amount to be paid for the affected employees at its existing Butterworth tin smelting plant, who have no intention to relocate to the new tin smelting plant in Pulau Indah.

### 31. Borrowings

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Short term borrowings</b>				
Unsecured:				
Short term trade financing	23,650	1,769	23,650	1,769
Bankers' acceptances/ Trust receipts	301,573	185,143	301,573	185,143
Revolving credit	30,000	30,000	30,000	30,000
Term loan	-	49,259	-	-
	<u>355,223</u>	<u>266,171</u>	<u>355,223</u>	<u>216,912</u>
<b>Long term borrowings</b>				
Unsecured:				
Term loan	<u>49,357</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total borrowings</b>	<u>404,580</u>	<u>266,171</u>	<u>355,223</u>	<u>216,912</u>

#### Short term trade financing

Short term trade financing bears interest rate of 1.0% (2019: 2.7%) per annum.

#### Bankers' acceptances/ Trust receipts

Bankers' acceptances/ Trust receipts bear interest rates which range from 2.4% to 3.9% (2019: 3.7% to 4.0%) per annum.

#### Revolving credit

Revolving credit bears interest rate of 4.1% (2019: 5.3%) per annum.

#### Term loan

The term loan which was denominated in Singapore Dollar was due for repayment on 18 November 2020. During the year, its wholly owned subsidiary, M Smelt (C) Sdn. Bhd. had drawn-down a new term loan of the same amount to settle the term loan which was due on 18 November 2020.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 31. Borrowings (cont'd)

#### Term loan (cont'd)

The new term loan is denominated in Singapore Dollar and repayable in one lump sum at maturity on 18 November 2022. The effective interest rate for the new term loan is 3.5% (2019: 4.2%) per annum.

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
On demand or within one year	355,223	266,171	355,223	216,912
More than 1 year and less than 2 year	49,357	-	-	-
	<u>404,580</u>	<u>266,171</u>	<u>355,223</u>	<u>216,912</u>

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

### 32. Trade and other payables

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Non-current</b>					
Loan from immediate holding company	a	-	73,461	-	73,461
<b>Current</b>					
<b>Trade payables</b>					
Third parties	b	20,561	19,582	16,063	15,038
Subsidiaries	c	-	-	18,815	12,071
		<u>20,561</u>	<u>19,582</u>	<u>34,878</u>	<u>27,109</u>
<b>Other payables</b>					
Third parties	d	16,238	15,913	12,730	13,387
Immediate holding company					
- Loan	a	73,461	-	73,461	-
- Others		841	1,358	841	1,358
Subsidiaries	c	-	-	70	18,955
		<u>90,540</u>	<u>17,271</u>	<u>87,102</u>	<u>33,700</u>
Advance from customers		9,667	5,176	9,667	5,176
Accruals		10,656	11,877	6,785	7,865
GST payable		1,703	2,462	-	-
		<u>112,566</u>	<u>36,786</u>	<u>103,554</u>	<u>46,741</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**32. Trade and other payables (cont'd)**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Total trade and other payables (current)</b>	133,127	56,368	138,432	73,850
Less: GST payable	(1,703)	(2,462)	-	-
<b>Total trade and other payables (current) excluding GST payable</b>	<u>131,424</u>	<u>53,906</u>	<u>138,432</u>	<u>73,850</u>
Total trade and other payables (current and non-current) excluding GST payable	131,424	127,367	138,432	147,311
Add: <b>Borrowings</b> (Note 31)	<u>404,580</u>	<u>266,171</u>	<u>355,223</u>	<u>216,912</u>
<b>Total financial liabilities carried at amortised cost</b>	<u>536,004</u>	<u>393,538</u>	<u>493,655</u>	<u>364,223</u>

**(a) Amount due to/ Loan from immediate holding company**

Amount due to immediate holding company is unsecured and repayable on demand. Loan from immediate holding company is unsecured with interest charge of 4.2% (2019: 4.2%) per annum.

**(b) Trade payables - third parties**

These are unsecured and non-interest bearing. The normal credit terms granted to the Group range from cash to 60 days (2019: from cash to 60 days).

**(c) Amounts due to subsidiaries**

These are unsecured and repayable on demand and include advances amounting to RM0.27 million (2019: RM19.72 million) where interest rates ranging from 1.9% to 3.2% (2019: 3.2% to 3.3%) per annum is charged.

**(d) 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 (2019: from cash to 90 days).

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 33. Share capital

	Number of ordinary shares '000	Amount RM'000
<b>Issued and fully paid Company</b>		
At 1 January 2019/ 31 December 2019/ 31 December 2020	<u>400,000</u>	<u>200,000</u>

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.

### 34. Other reserves (non-distributable)

Group	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	FVOCI reserves RM'000	Other reserve RM'000	Total RM'000
<b>At 1 January 2020</b>	8,277	1,273	(6,856)	1,706	4,400
<b>Other comprehensive income:</b>					
Revaluation reserves on property, plant and equipment, net	4,083	-	-	-	4,083
Net fair value changes in quoted investments at FVOCI	-	-	13,597	-	13,597
Foreign currency translation	-	2	-	-	2
Share of foreign currency translation of an associate and a joint venture	-	(250)	-	-	(250)
	<u>4,083</u>	<u>(248)</u>	<u>13,597</u>	<u>-</u>	<u>17,432</u>
<b>At 31 December 2020</b>	<u>12,360</u>	<u>1,025</u>	<u>6,741</u>	<u>1,706</u>	<u>21,832</u>

Group	Revaluation reserves RM'000	Foreign currency translation reserves RM'000	FVOCI reserves RM'000	Other reserve RM'000	Total RM'000
<b>At 1 January 2019</b>	5,569	1,015	(2,113)	1,706	6,177
<b>Other comprehensive income:</b>					
Revaluation reserves on property, plant and equipment, net	2,708	-	-	-	2,708
Net fair value changes in quoted investments at FVOCI	-	-	(4,743)	-	(4,743)
Foreign currency translation	-	1	-	-	1
Share of foreign currency translation of an associate and a joint venture	-	257	-	-	257
	<u>2,708</u>	<u>258</u>	<u>(4,743)</u>	<u>-</u>	<u>(1,777)</u>
<b>At 31 December 2019</b>	<u>8,277</u>	<u>1,273</u>	<u>(6,856)</u>	<u>1,706</u>	<u>4,400</u>



**NOTES TO THE FINANCIAL STATEMENTS  
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**34. Other reserves (non-distributable) (cont'd)**

<b>Company</b>	<b>Revaluation reserves RM'000</b>	<b>FVOCI reserves RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2020</b>	1,405	(6,856)	(5,451)
<b>Other comprehensive income:</b>			
Revaluation reserves on property, plant and equipment, net	1,244	-	1,244
Net fair value changes in quoted investments at FVOCI	-	13,597	13,597
	1,244	13,597	14,841
<b>At 31 December 2020</b>	<b>2,649</b>	<b>6,741</b>	<b>9,390</b>
	<b>Revaluation reserves RM'000</b>	<b>FVOCI reserves RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2019</b>	1,320	(2,113)	(793)
<b>Other comprehensive income:</b>			
Revaluation reserves on property, plant and equipment, net	85	-	85
Net fair value changes in quoted investments at FVOCI	-	(4,743)	(4,743)
	85	(4,743)	(4,658)
<b>At 31 December 2019</b>	<b>1,405</b>	<b>(6,856)</b>	<b>(5,451)</b>

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") reserves**

The account records the cumulative fair value changes of investment securities until they are derecognised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 35. Commitments and contingency

#### Capital commitments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital expenditure:				
Approved and contracted for:				
- Property, plant and equipment	9,103	16,361	8,304	12,648
Approved but not contracted for:				
- Property, plant and equipment	1,040	1,518	-	-
- Deferred mine exploration and evaluation expenditures	80	80	-	-
	<u>1,120</u>	<u>1,598</u>	<u>-</u>	<u>-</u>

#### Legal claims

- (i) A subsidiary defended a legal action brought about by two companies (“Plaintiffs”) for the payment of tributes. Following completion of the trial on 26 July 2019, the decision delivered by the judge on 31 July 2019 was in subsidiary’s favour. The two companies have filed an Appeal at the Court of Appeal. The hearing of the Appeal was fixed on 24 August 2020. However, the Court of Appeal subsequently vacated the hearing and has rescheduled the same to 16 August 2021. The hearing has been rescheduled again to 25 August 2021. The estimated liability is approximately RM54.6 million as at 31 December 2020 should the Plaintiffs action be successful.

The Board, having obtained advice from its legal counsel, is of the opinion that the Plaintiff’s appeal is unlikely (i.e. possible, but not probable) to succeed and accordingly no provision for liability is required to be made in the financial statements.

In connection with the abovementioned case, the subsidiary has separately instituted legal action against two former executive officers of the Company, the above two companies, and certain persons connected with the two companies, claiming for damages for breach of fiduciary duties, conspiracy, dishonest assistance. The Defendants have applied to the Court to strike out the subsidiary’s claim. The hearing for the striking out applications was held on 7 October 2020 whereby the learned judge decided that the applications will be decided based on written submission. The decision on the applications was scheduled to be handed down on 5 November 2020. However, the decision on the striking out applications was deferred to 17 December 2020. In this regard, the High Court has dismissed all the striking out applications by the Defendants. Except for one Defendant, all the other Defendants have filed an appeal against the High Court’s decision to dismiss their striking out application. The hearing for the appeal is fixed on 14 June 2021. In respect of the Defendant that did not appeal against the decision of the High Court, the deadline to file an appeal against this decision has passed.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 35. Commitments and contingency (cont'd)

#### Legal claims (cont'd)

- (i) The same Defendants have also applied for a stay of proceedings at the High Court pending the resolution of their appeal. The High Court had dismissed this application on 26 March 2021. Subsequently, at a case management held on 16 April 2021, the Registrar had directed all parties to continue with pre-trial directions given. The next case management will be held on 24 May 2021 whereby trial dates are likely to be fixed.

In the Directors' opinion, disclosure of additional information about the above matter would be prejudicial to the interests of the Group.

- (ii) A Plaintiff representing a foreign workers' contractor, has commenced legal proceedings against the Company, amongst others for the sum of RM2,597,621.48. The Plaintiff's cause of action is premised upon the purported breach of contract. The Company denies any breach of contract as alleged. The matter is now fixed for full trial from 12 July 2021 to 14 July 2021.

The Board, having obtained advice from its legal counsel, is of the opinion that the Company has a good chance of winning the case and accordingly no provision for liability is required to be made in the financial statements.

### 36. Related party disclosures

#### (a) Related party transactions

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

	Note	2020 RM'000	2019 RM'000
<b>Group</b>			
Associate:			
- Sales of products	(i)	27,921	39,888
- Interest income	(ii)	-	10
Immediate holding company:			
- Interest expense	(iii)	3,094	2,965
Director:			
- Legal/Professional fee charges	(iv)	7	46
- Purchase of motor vehicle	(v)	-	465
<b>Company</b>			
Subsidiaries:			
- Purchases of products	(vi)	160,425	165,652
- Interest income	(ii)	971	742
- Management fee income	(vii)	1,800	1,800
- Advances given	(viii)	10,352	5,036
- Advances received	(ix)	16,000	36,400

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 36. Related party disclosures (cont'd)

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

Company	Note	2020 RM'000	2019 RM'000
Subsidiaries (cont'd):			
- Rental and service charges (including security services)	(x)	4,746	4,746
- Interest expense	(iii)	482	2,132
Associate:			
- Sales of products	(i)	27,921	39,888
- Interest income	(ii)	-	10
Immediate holding company:			
- Interest expense	(iii)	3,094	2,965
Director:			
- Legal/Professional fee charges	(iv)	7	-
- Purchase of motor vehicle	(v)	-	465

- (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 an associate, Redring Solder (M) Sdn. Bhd. ("Redring"), and amount due from subsidiaries, M Smelt (C) Sdn. Bhd. and MSC Properties Sdn. Bhd. Amount due from Redring is subject to interest rate of 5% per annum for overdue payment. Further details of amount due from subsidiaries are disclosed in Note 26.
- (iii) Interest expense are payable in respect of loan/advances received from immediate holding company and a subsidiary. Further details are disclosed in Notes 32(a) and 32(c) respectively.
- (iv) Legal/Professional fee was raised by a law firm where a director of the Company and a director of the subsidiary are partners of the law firm.
- (v) Purchase of motor vehicle from a director 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) Management fee income is receivable from a subsidiary.
- (viii) Advances given to certain subsidiaries are subject to interest as disclosed in Note 26.
- (ix) Advances received from a subsidiary is subject to interest as disclosed in Note 32(c).
- (x) Rental and service charges (including security services) are payable to subsidiaries for lease of office and factory buildings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 36. Related party disclosures (cont'd)

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 and 2020 are disclosed in Notes 26 and 32.

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

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short term employee benefits	4,976	5,276	3,977	4,299
Post-employment benefits:				
- Defined contribution plan	588	621	457	485
	<u>5,564</u>	<u>5,897</u>	<u>4,434</u>	<u>4,784</u>

Included in the total compensation of key management personnel was:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors' fees (Note 8)	<u>549</u>	<u>501</u>	<u>459</u>	<u>480</u>

### 37. Financial risk management objectives and policies

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

The Group's 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### (a) Interest rate risk (cont'd)

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's 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	Group (Decrease)/ Increase in profit net of tax RM'000	Company (Decrease)/ Increase in profit net of tax RM'000
<b>At 31 December 2020</b>			
- Malaysian Ringgit	+25	(579)	(605)
	-25	579	605
- United States Dollar	+25	(45)	(45)
	-25	45	45
<b>At 31 December 2019</b>			
- Malaysian Ringgit	+25	(360)	(379)
	-25	360	379
- United States Dollar	+25	(2)	(2)
	-25	2	2

#### (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 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

At the reporting date, approximately:

- (i) 95% (2019: 92%) of the Group's and 41% (2019: 32%) of the Company's trade and other receivables (excluding GST recoverable) as well as 18% (2019: 5%) of the Group's and 17% (2019: 5%) of the Company's current and non-current trade and other payables (excluding GST payable) are denominated in foreign currencies, mainly in United States Dollar.
- (ii) 12% (2019: 7%) of the Group's and 23% (2019: 12%) of the Company's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar.
- (iii) 18% (2019: 19%) of the Group's and 7% (2019: 1%) of the Company's borrowings are denominated in Singapore Dollar and United States Dollar.

#### Forward currency contracts not designated as hedges

A net gain of RM94,000 (2019: a net gain of RM84,000) for the Group and a net gain of RM625,000 (2019: a net gain of RM1,078,000) for the Company with a deferred tax expense of RM150,000 (2019: a deferred tax expense of RM258,000) for the Group and the Company in respect of the forward currency contracts were recognised in profit or loss (see Note 28).

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar ("USD") and Singapore Dollar ("SGD") 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:

		2020		2019	
		(Decrease)/ Increase in profit net of tax RM'000	(Decrease)/ Increase in equity RM'000	(Decrease)/ Increase in profit net of tax RM'000	(Decrease)/ Increase in equity RM'000
<b>Group</b>	USD/RM strengthened by 5%	(2,459)	(2,459)	(1,818)	(1,818)
	USD/RM weakened by 5%	2,459	2,459	1,818	1,818
	SGD/RM strengthened by 5%	49	49	359	359
	SGD/RM weakened by 5%	(49)	(49)	(359)	(359)
<b>Company</b>					
USD/RM	strengthened by 5%	(2,459)	(2,459)	(1,818)	(1,818)
	weakened by 5%	2,459	2,459	1,818	1,818
SGD/RM	strengthened by 5%	(4)	(4)	(3)	(3)
	weakened by 5%	4	4	3	3

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### (c) Liquidity risk

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

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

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

The table below summarises the maturity profile of the Group's and the Company's financial 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 2020</b>					
<b>Financial liabilities:</b>					
<u>Non-derivative</u>					
Borrowings	31	355,223	49,357	-	404,580
Interest payable on borrowings		3,491	1,524	-	5,015
Interest payable on lease liabilities		208	744	2,438	3,390
Interest payable on loan from immediate holding company		955	-	-	955
Trade and other payables	32	131,424	-	-	131,424
Lease liabilities	17(b)	1,621	602	3,585	5,808
<u>Derivative</u>					
Forward currency contracts	28	-	531	-	531
Forward tin contracts	28	1,075	-	-	1,075
<b>Total undiscounted financial liabilities</b>		<b>493,997</b>	<b>52,758</b>	<b>6,023</b>	<b>552,778</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

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

<b>Group</b>	<b>Note</b>	<b>Within 1 year RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>At 31 December 2019</b>					
<b>Financial liabilities:</b>					
<u>Non-derivative</u>					
Borrowings	31	266,171	-	-	266,171
Interest payable on borrowings		2,782	-	-	2,782
Interest payable on lease liabilities		509	212	10	731
Interest payable on loan from immediate holding company		3,085	964	-	4,049
Trade and other payables	32	53,906	73,461	-	127,367
Lease liabilities	17(b)	6,936	3,015	169	10,120
<u>Derivative</u>					
Forward currency contracts	28	994	-	-	994
Forward tin contracts	28	797	-	-	797
<b>Total undiscounted financial liabilities</b>		<b>335,180</b>	<b>77,652</b>	<b>179</b>	<b>413,011</b>
<b>Company</b>					
	<b>Note</b>	<b>Within 1 year RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>At 31 December 2020</b>					
<b>Financial liabilities:</b>					
<u>Non-derivative</u>					
Borrowings	31	355,223	-	-	355,223
Interest payable on advances from a subsidiary		5	-	-	5
Interest payable on borrowings		1,764	-	-	1,764
Interest payable on lease liabilities		19	45	4	68
Interest payable on loan from immediate holding company		955	-	-	955
Trade and other payables	32	138,432	-	-	138,432
Lease liabilities	17(b)	64	313	93	470
<u>Derivative</u>					
Forward tin contracts	28	1,075	-	-	1,075
<b>Total undiscounted financial liabilities</b>		<b>497,537</b>	<b>358</b>	<b>97</b>	<b>497,992</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

Company	Note	Within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>At 31 December 2019</b>					
<b>Financial liabilities:</b>					
<u>Non-derivative</u>					
Borrowings	31	216,912	-	-	216,912
Interest payable on advances from a subsidiary		631	-	-	631
Interest payable on borrowings		934	-	-	934
Interest payable on lease liabilities		45	94	10	149
Interest payable on loan from immediate holding company		3,085	964	-	4,049
Trade and other payables	32	73,850	73,461	-	147,311
Lease liabilities	17(b)	201	732	169	1,102
<u>Derivative</u>					
Forward tin contracts	28	797	-	-	797
<b>Total undiscounted financial liabilities</b>		<b>296,455</b>	<b>75,251</b>	<b>179</b>	<b>371,885</b>

#### (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 when they fall due.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group and the Company consider available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group and the Company determined that its financial assets are credit-impaired when:

- There is significant financial difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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% is applied if a receivable is more than 90 days to 360 days.

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 25.4% (2019: 31.8%) of its trade receivables.

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

Group	2020		2019	
	RM'000	% of total	RM'000	% of total
By country:				
Japan	12,640	47	2,751	19
China, Hong Kong and Taiwan	9,925	37	3,595	24
Korea	1,500	6	2,695	18
Malaysia	1,190	5	1,198	8
Switzerland/ United Kingdom/ USA	1,188	4	204	2
Germany	230	1	4,342	29
Others	51	-	47	-
	<u>26,724</u>	<u>100</u>	<u>14,832</u>	<u>100</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

##### Exposure to credit risk (cont'd)

Company	2020		2019	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	36,398	59	28,880	68
Japan	12,640	20	2,751	7
China, Hong Kong and Taiwan	9,925	16	3,595	8
Korea	1,500	3	2,695	6
Switzerland/ United Kingdom/ USA	1,188	2	204	1
Germany	230	-	4,342	10
Others	51	-	47	-
	<u>61,932</u>	<u>100</u>	<u>42,514</u>	<u>100</u>

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

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 25. 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 25 and 26.

#### (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.

The commodity price risk on revenue for sales of tin is managed through contractual arrangements with customers and forward commodity contracts.

A net loss of RM1,075,000 (2019: a net loss of RM797,000) with a deferred tax benefit of RM258,000 (2019: a deferred tax benefit of RM191,000) in respect of the forward tin contracts were recognised in profit or loss (see Note 28).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

#### (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:

		<b>2020</b> <b>Increase/ (Decrease)</b> <b>in equity</b> <b>RM'000</b>	<b>2019</b> <b>Increase/ (Decrease)</b> <b>in equity</b> <b>RM'000</b>
Share price	increased by 5%	1,168	488
	decreased by 5%	(1,168)	(488)

#### (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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

**(g) Capital management (cont'd)**

	Group	
	2020 RM'000	2019 RM'000
Share capital	200,000	200,000
Other reserves	21,832	4,400
Retained earnings	171,669	164,505
Total shareholders' equity	<u>393,501</u>	<u>368,905</u>
Non-controlling interests	<u>(225)</u>	<u>289</u>
Total equity	<u>393,276</u>	<u>369,194</u>
Bank borrowings (Note 31)	404,580	266,171
Loan from immediate holding company (Note 32(a))	73,461	73,461
Total borrowings	<u>478,041</u>	<u>339,632</u>
Gearing ratio (total borrowings over total equity)	<u>1.2</u>	<u>0.9</u>
Gearing ratio (bank borrowings over total equity)	<u>1.0</u>	<u>0.7</u>

**38. Fair value of assets and liabilities**

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

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

	Date of valuation	Quoted prices in active markets for identical instruments (Level 1) RM'000	Significant other observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
<b>Group</b>					
<b>At 31 December 2020</b>					
<b>Assets measured at fair value:</b>					
Investment securities (Note 21)					
- Equity instruments (quoted)	31.12.2020	23,359	-	-	23,359

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 38. 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 2020</b>					
<b>Assets measured at fair value (cont'd):</b>					
Revalued freehold land and buildings (Note 16)					
- Land and buildings in Pulau Indah Industrial Park					
	31.12.2020	-	-	51,535	51,535
- 80 units flats in Bukit Mertajam					
	31.12.2020	-	-	4,496	4,496
- Land and buildings in Daerah Hulu Perak					
	31.12.2020	-	-	2,602	2,602
Derivative financial assets (Note 28)					
- Forward currency contracts					
	31.12.2020	-	625	-	625
		<u>23,359</u>	<u>625</u>	<u>58,633</u>	<u>82,617</u>
<b>Liabilities measured at fair value:</b>					
Derivative financial liabilities (Note 28)					
- Forward currency contracts					
	31.12.2020	-	531	-	531
- Forward tin contracts					
	31.12.2020	1,075	-	-	1,075
		<u>1,075</u>	<u>531</u>	<u>-</u>	<u>1,606</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

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

Group	Date of valuation	Quoted prices in active markets for identical instruments (Level 1) RM'000	Significant other observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
<b>At 31 December 2019</b>					
<b>Assets measured at fair value:</b>					
Investment securities (Note 21)					
- Equity instruments (quoted)	31.12.2019	9,762	-	-	9,762
Revalued freehold land and buildings (Note 16)					
- Land and buildings in Pulau Indah Industrial Park	31.12.2019	-	-	43,060	43,060
- 80 units flats in Bukit Mertajam	31.12.2019	-	-	4,496	4,496
- Land and buildings in Daerah Hulu Perak	31.12.2019	-	-	2,572	2,572
Derivative financial assets (Note 28)					
- Forward currency contracts	31.12.2019	-	1,078	-	1,078
		<u>9,762</u>	<u>1,078</u>	<u>50,128</u>	<u>60,968</u>
<b>Liabilities measured at fair value:</b>					
Derivative financial liabilities (Note 28)					
- Forward currency contracts	31.12.2019	-	994	-	994
- Forward tin contracts	31.12.2019	797	-	-	797
		<u>797</u>	<u>994</u>	<u>-</u>	<u>1,791</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

Company	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 2020</b>					
<b>Assets measured at fair value:</b>					
Investment securities (Note 21)					
- Equity instruments (quoted)	31.12.2020	23,359	-	-	23,359
Revalued buildings (Note 16)					
- Buildings in Pulau Indah Industrial Park	31.12.2020	-	-	14,635	14,635
- 80 units flats in Bukit Mertajam	31.12.2020	-	-	4,496	4,496
Derivative financial assets (Note 28)					
- Forward currency contracts	31.12.2020	-	625	-	625
		<u>23,359</u>	<u>625</u>	<u>19,131</u>	<u>43,115</u>
<b>Liabilities measured at fair value:</b>					
Derivative financial liabilities (Note 28)					
- Forward tin contracts	31.12.2020	1,075	-	-	1,075

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

Company	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 2019</b>					
<b>Assets measured at fair value:</b>					
Investment securities (Note 21)					
- Equity instruments (quoted)	31.12.2019	9,762	-	-	9,762
Revalued buildings (Note 16)					
- Buildings in Pulau Indah Industrial Park	31.12.2019	-	-	9,010	9,010
- 80 units flats in Bukit Mertajam	31.12.2019	-	-	4,496	4,496
Derivative financial assets (Note 28)					
- Forward currency contracts	31.12.2019	-	1,078	-	1,078
		<u>9,762</u>	<u>1,078</u>	<u>13,506</u>	<u>24,346</u>
<b>Liabilities measured at fair value:</b>					
Derivative financial liabilities (Note 28)					
- Forward tin contracts	31.12.2019	797	-	-	797

#### 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 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 38. 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.

*Derivatives:* Forward currency contracts and forward tin contracts are valued using a valuation technique with market observable inputs. These contracts are valued by financial institutions.

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

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

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 2020</b>					
Revalued land and buildings (Note 16)	58,633	Market comparable approach/ Depreciated replacement cost	Difference in location, zoning, size, scheme and tenure	-20.0% to 25.0%	Every 1% increase or (decrease) in the adjustments would result in (decrease) or increase in fair value by RM409,000.
<b>At 31 December 2019</b>					
Revalued land and buildings (Note 16)	50,128	Market comparable approach/ Depreciated replacement cost	Difference in location, size, scheme and feature	-20.0% to 25.0%	Every 1% increase or (decrease) in the adjustments would result in increase or (decrease) in fair value by RM355,000.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 38. 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 2020	306	29,900	19,922
Transferred from capital work-in-progress	-	-	4,547
Revaluation surplus	-	2,988	2,385
Depreciation charge for the year	-	(388)	(1,027)
At 31 December 2020	<u>306</u>	<u>32,500</u>	<u>25,827</u>
At 1 January 2019	306	27,300	19,933
Transferred from capital work-in-progress	-	-	238
Revaluation surplus	-	2,950	613
Depreciation charge for the year	-	(350)	(862)
At 31 December 2019	<u>306</u>	<u>29,900</u>	<u>19,922</u>

There has been no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial assets/liabilities that may subsequently result in a different classification of those assets/liabilities during the financial year ended 31 December 2020.

#### (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:

	<u>Note</u>
Trade receivables (current)	25
Other receivables (current)	26
Borrowings (current)	31
Borrowings (non-current)	31
Trade and other payables (current and non-current)	32

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. Segmental information

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

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>2020</b>						
<b>Revenue</b>						
Sales to external customers		813,359	-	-	-	813,359
Inter-segment sales		-	160,425	-	(160,425)	-
Total revenue		<u>813,359</u>	<u>160,425</u>	<u>-</u>	<u>(160,425)</u>	<u>813,359</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**39. Segmental information (cont'd)**

**Business segments (cont'd)**

	Note	Tin smelting RM'000	Tin mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
<b>Results</b>						
Profit/(Loss) from operations		17,438	35,374	(62)	(5,822)	46,928
(Impairment losses)/Reversal of impairment losses		(85)	(2,510)	67	-	(2,528)
Finance costs		(13,432)	(2,098)	(431)	-	(15,961)
Share of results of associate and joint venture		-	-	(4,254)	-	(4,254)
Profit/(Loss) before tax		3,921	30,766	(4,680)	(5,822)	24,185
Income tax (expense)/credit		(760)	(10,173)	-	1,398	(9,535)
Profit/(Loss) net of tax		3,161	20,593	(4,680)	(4,424)	14,650
<b>Assets</b>						
Segment assets		876,237	76,593	23,367	(7,712)	968,485
Investments in associate and joint venture		-	-	25,999	-	25,999
Total assets		876,237	76,593	49,366	(7,712)	994,484
<b>Liabilities</b>						
Segment liabilities		544,999	56,106	103	-	601,208
<b>Other segment information</b>						
Additions of non-current assets						
- Property, plant and equipment	16	12,188	14,028	-	-	26,216
- Other non-current assets	22	-	1,319	-	-	1,319
Provision for voluntary separation/ retrenchment compensation	9	418	-	-	-	418
Reversal of inventories written down to net realisable value	8	(7,100)	-	-	-	(7,100)
Depreciation expenses	8	6,146	9,676	1	-	15,823
Amortisation of mining rights	8	-	251	-	-	251
Amortisation of corporate club memberships	8	3	5	-	-	8
Amortisation of mine properties	8	-	1,051	-	-	1,051
Interest income	6	(529)	(309)	-	-	(838)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. Segmental information (cont'd)

#### Business segments (cont'd)

	Note	Tin smelting RM'000	Tin mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
<b>2019</b>						
<b>Revenue</b>						
Sales to external customers		983,567	-	-	-	983,567
Inter-segment sales		-	165,652	-	(165,652)	-
Total revenue		983,567	165,652	-	(165,652)	983,567
<b>Results</b>						
(Loss)/Profit from operations		(24,532)	90,367	(52)	383	66,166
Impairment losses		-	-	(904)	-	(904)
Finance costs		(14,206)	(1,874)	(468)	-	(16,548)
Share of results of associate and joint venture		-	-	(4,052)	-	(4,052)
(Loss)/Profit before tax		(38,738)	88,493	(5,476)	383	44,662
Income tax credit/(expense)		7,940	(21,825)	-	(92)	(13,977)
(Loss)/Profit net of tax		(30,798)	66,668	(5,476)	291	30,685
<b>Assets</b>						
Segment assets		715,591	71,750	9,771	(3,288)	793,824
Investments in associate and joint venture		-	-	30,436	-	30,436
Total assets		715,591	71,750	40,207	(3,288)	824,260
<b>Liabilities</b>						
Segment liabilities		406,306	48,679	81	-	455,066
<b>Other segment information</b>						
Additions of non-current assets						
- Property, plant and equipment	16	11,975	3,394	-	-	15,369
- Other non-current assets	22	-	861	-	-	861
Provision for voluntary separation/ retrenchment compensation	9	15,000	-	-	-	15,000
Inventories written down to net realisable value	8	31,100	-	-	-	31,100
Reversal of provision for tribute no longer required	8	-	(48,354)	-	-	(48,354)
Depreciation expenses	8	7,578	8,924	2	-	16,504
Amortisation of mining rights	8	-	943	-	-	943
Amortisation of corporate club memberships	8	3	5	-	-	8
Amortisation of mine properties	8	-	1,071	-	-	1,071
Interest income	6	(573)	(580)	-	-	(1,153)



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. Segmental information (cont'd)

#### Business segments (cont'd)

The following item was added to segment profit before tax to arrive at profit before tax as disclosed in the consolidated statements of profit or loss:

	Group	
	2020	2019
	RM'000	RM'000
(Unrealised)/Realised profit from inter-segment sales	<u>(5,822)</u>	<u>383</u>

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

	Group	
	2020	2019
	RM'000	RM'000
Unrealised profit arising from inter-segment sales	<u>(7,712)</u>	<u>(3,288)</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 one major customer amounted to RM128,387,000 (2019: two major customers amounted to RM134,827,000 and RM123,244,000), arising from sales by the tin smelting segment.

### 40. Significant event

The following significant event occurred during the financial year ended 31 December 2020:

On 7 February 2020, the Company announced an internal restructuring exercise, i.e. a Voluntary Separation Scheme affecting approximately 550 employees at the Butterworth smelter, following the impending relocation to its new smelting facility in Pulau Indah, Port Klang. Official notification had been given to all affected employees to prepare them for the transition. The scheme was closed and completed on 31 December 2020.

Further details in relation to the provision for voluntary separation/ retrenchment compensation are disclosed in Notes 9 and 30(b).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 41. Prior year adjustment

In the Company's separate financial statements, investments in associate and joint venture are accounted for at cost less accumulated impairment losses, if any. In prior years, the Company had inadvertently omitted the provision of impairment losses for investment in KMR, a joint venture and hence over-stated its carrying amount of investment in joint venture as at 1 January 2019 and 31 December 2019. However, the Company has assessed the over-statement of the carrying amount of investment in joint venture on 1 January 2019 to be immaterial, and accordingly, no adjustments have been made to restate the opening balance as at 1 January 2019.

Consequently, comparative amounts for the following items for financial year ended 31 December 2019 have been restated as follows:

<b>Company</b>	<b>Previously stated RM'000</b>	<b>Impairment of investment in a joint venture RM'000</b>	<b>Restated RM'000</b>
Reversal of impairment losses/(Impairment losses)	3,632	(3,197)	435
Investments in associate and joint venture	18,666	(3,197)	15,469
Retained earnings	232,528	(3,197)	229,331

### 42. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 27 April 2021.

# LIST OF PROPERTIES OF THE GROUP

31 DECEMBER 2020

Location	Description	Approximate area	Tenure	Year of expiry	Approximate age of buildings	Net carrying amount at 31.12.20 RM'000	Date of last revaluation
<b>MALAYSIA</b>							
1. Lot 6, 8 & 9 Jalan Perigi Nanas 6/1 Pulau Indah Industrial Park West Port, Port Klang 42920 Pulau Indah Selangor	Land with offices and factory buildings	48,725 sq. m	Leasehold	2097	19 years	51,535	31.12.2020
2. Taman Desa Palma, Alma, 14000 Bukit Mertajam	80 units of flats	52,000 sq. ft.	Freehold	-	20 years	4,496	31.12.2020
3. Mukim Pengkalan Hulu Daerah Hulu Perak							
(a) Lot 344 & 348	Land with buildings	3.78 hectares	Freehold	-	over 50 years	336	31.12.2020
(b) Lot 2071, PT 3934, 4338, 4522 & 4523	Land with buildings	7.02 hectares	Leasehold	2068-2112	39 to over 50 years	1,084	31.12.2020
(c) PT 1705, 1706 & 1707	3 units of terrace houses	417 sq. m	Leasehold	2108	10 years	555	31.12.2020
(d) Lot 55671 and 55675	2 units of semi-detached houses	526 sq. m	Freehold	-	7 years	600	31.12.2020
4. Mukim Belukar Semang Daerah Hulu Perak							
(a) Lot 1886	Vacant land	0.4 hectares	Freehold	-	-	23	31.12.2020
(b) PT 725, 726, 727	Land with buildings	7.01 hectares	Leasehold	2050	-	4	31.12.2020
5. Lots 20514 -20517 Seksyen 4 Bandar Butterworth Daerah Seberang Perai Utara Pulau Pinang	For future development	557,022 sq. ft.	Freehold	-	-	78,654	30.09.2018

# ANALYSIS OF SHAREHOLDINGS

as at 15 APRIL 2021

No. of Issued Shares	: 400,000,000 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	22	0.47	439	0.00
100 to 1,000	855	18.41	631,832	0.16
1,001 to 10,000	2,303	49.59	11,120,116	2.78
10,001 to 100,000	1,192	25.67	38,875,927	9.72
100,001 to less than 5% of issued shares	269	5.79	145,928,486	36.48
5% and above of issued shares	3	0.07	203,443,200	50.86
<b>TOTAL</b>	<b>4,644</b>	<b>100.00</b>	<b>400,000,000</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS

Directors	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Ms. Chew Gek Khim	1,600,000	0.40	–	–
Mr. Chia Chee Ming, Timothy	–	–	–	–
Dato' Robert Teo Keng Tuan	649,000	0.16	397,000 <sup>*1</sup>	0.10
Mr. John Mathew A/L Mathai	–	–	–	–
Datuk Kamaruddin Bin Taib	–	–	–	–
Dato' Dr. Ir. Patrick Yong Mian Thong	360,800	0.09	–	–

Notes : -

\*1 Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016; held through BHP Corp Sdn. Bhd., Tebrau Sentral (M) Sdn. Bhd. and Yellow Gold Equities Sdn. Bhd.

## ANALYSIS OF SHAREHOLDINGS

as at 15 APRIL 2021

### THE 30 LARGEST SHAREHOLDERS

Shareholders	No. of Shares Held	%
1. The Straits Trading Company Limited	112,360,000	28.09
2. Straits Trading Amalgamated Resources Sdn Bhd	69,498,000	17.37
3. Sword Investments Private Limited	21,585,200	5.40
4. Baxterley Holdings Private Limited	14,800,000	3.70
5. Neoh Choo Ee & Company, Sdn. Berhad	6,384,000	1.60
6. Lim Khoon	4,005,200	1.00
7. Quarry Lane Sdn Bhd	3,440,000	0.86
8. Lee Pin	3,317,100	0.83
9. Estate of Lim Kian Siong, Deceased	3,294,000	0.82
10. M & A Nominee (Tempatan) Sdn Bhd for Sarah Pauline A/P Melkees	2,811,500	0.70
11. Leong Kok Tai	2,781,200	0.70
12. Public Nominees (Tempatan) Sdn Bhd for Ng Faai @ Ng Yoke Pei	2,410,000	0.60
13. Phillip Securities Pte Ltd	2,398,200	0.60
14. Au Yong Mun Yue	2,289,800	0.57
15. Dynaquest Sdn. Bhd.	2,012,000	0.50
16. Cartaban Nominees (Asing) Sdn Bhd Exempt An for Jefferies LLC	2,000,000	0.50
17. Chua Ah Moi @ Chua Sai Peng	1,869,900	0.47
18. Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (TMEF)	1,801,300	0.45
19. DBS Nominees Pte Ltd	1,721,500	0.43
20. Kuek Siaw Kia @ Quek Shiew Poh	1,670,000	0.42
21. Yeoh Yew Choo	1,606,800	0.40
22. 2G Capital Pte Ltd	1,600,000	0.40
23. Chew Gek Khim	1,600,000	0.40
24. Lee Cheow Yin	1,580,100	0.40
25. Toh Yew Keong	1,554,200	0.39
26. Lim Bee San	1,350,000	0.34
27. Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (PF)	1,241,000	0.31
28. AllianceGroup Nominees (Tempatan) Sdn Bhd for Goh Leng Pheow	1,190,000	0.30
29. iFAST Financial Pte Ltd	1,187,000	0.30
30. See Lop Fu James @ Shi Lap Fu James	1,140,000	0.29

**ANALYSIS OF SHAREHOLDINGS**

as at 15 APRIL 2021

**LIST OF SUBSTANTIAL SHAREHOLDERS**

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
The Straits Trading Company Limited	112,360,000	28.09	107,023,200 <sup>*1</sup>	26.76
Straits Trading Amalgamated Resources Sdn. Bhd.	69,498,000	17.37	–	–
Sword Investments Private Limited	21,585,200	5.40	–	–
Tan Chin Tuan Pte. Ltd.	–	–	219,383,200 <sup>*2</sup>	54.85
The Cairns Pte. Ltd.	–	–	219,383,200 <sup>*2</sup>	54.85
Tecity Pte. Ltd.	–	–	219,383,200 <sup>*2</sup>	54.85
Raffles Investments Pte. Ltd.	–	–	219,383,200 <sup>*2</sup>	54.85
Aequitas Pte. Ltd.	–	–	219,383,200 <sup>*2</sup>	54.85
Dr. Tan Kheng Lian	–	–	219,383,200 <sup>*3</sup>	54.85

Notes : -

\*1 Held through Straits Trading Amalgamated Resources Sdn. Bhd., Sword Investments Private Limited, Baxterley Holdings Private Limited 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.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Second (“42nd”) Annual General Meeting (“AGM”) of MALAYSIA SMELTING CORPORATION BERHAD (the “Company”) will be held fully virtual at the broadcast venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Friday, 18 June 2021 at 10.00 a.m. to transact the following businesses:

## AGENDA

### AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Directors’ and Auditors’ Reports thereon. **{Please refer to Note C(1)}**
2. To approve the payment of a First and Final Single-Tier Dividend of RM0.01 per share in respect of the financial year ended 31 December 2020. **Resolution 1**
3. To approve the payment of Directors’ Fees and Benefits of up to RM500,000.00 from 19 June 2021 until the next AGM of the Company to be held in year 2022. **Resolution 2**
4. To re-elect the following Directors of the Company who are retiring pursuant to Clause 102 of the Constitution of the Company:  
(i) Mr. Chia Chee Ming, Timothy **Resolution 3**  
(ii) Dato’ Robert Teo Keng Tuan **Resolution 4**
5. To re-appoint Messrs Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

### AS SPECIAL BUSINESS:

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

6. **ORDINARY RESOLUTION - AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Resolution 6**

“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.”

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 DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS HEREBY GIVEN THAT**, subject to the approval of shareholders at the 42nd AGM, a First and Final Single-Tier Dividend of RM0.01 per share in respect of the financial year ended 31 December 2020 will be paid to shareholders on 23 July 2021. The entitlement date for the said Dividend shall be on 5 July 2021.

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

- (a) Shares transferred to the Depositor’s securities account before 4.30 p.m. on 5 July 2021 in respect of transfers.
- (b) Shares bought on Bursa Malaysia Securities Berhad and Singapore Exchange Securities Trading Limited on cum entitlement basis according to the Rules of the respective Exchanges.

### BY ORDER OF THE BOARD

#### WONG YOUN KIM

SSM PC No. 201908000410

(MAICSA 7018778)

Company Secretary

Date: 20 May 2021

## NOTICE OF ANNUAL GENERAL MEETING

### **Explanatory Notes:**

#### **A) Virtual AGM**

1. For preventing further propagation of COVID-19, the 42nd AGM of the Company will be conducted on a full virtual basis through a live streaming from the Broadcast Venue. Please follow the procedures provided in the Administrative Guide for the 42nd AGM in order to register, participate and vote remotely.
2. The broadcast venue of the 42nd AGM which is the main venue of the meeting is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The broadcast venue of the 42nd AGM is to organise the fully virtual meeting and where streaming would be conducted from. No shareholder(s)/proxy(ies) from the public will be physically present at the broadcast venue on the day of the 42nd AGM of the Company.

#### **B) Appointment of Proxy**

1. In respect of deposited securities, only members whose names appear on the Record of Depositors on 11 June 2021 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
2. 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.
3. 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.
4. 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.
5. 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 at HMC Corporate Services Sdn. Bhd. at Level 2, Tower 1, Avenue 5, Bangsar South City, 52900 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time appointed for taking of the poll at the meeting or any adjournment thereof. 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.
6. 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.
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



# NOTICE OF ANNUAL GENERAL MEETING

## **C) Ordinary Business**

1. *Audited Financial Statements for the financial year ended 31 December 2020*

*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.*

## **D) Special Business**

1. *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 Forty-First AGM held on 2 September 2020, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Sections 75 and 76 of the Companies Act 2016.*

*Up to the date of this Notice, no new shares were issued pursuant to the general mandate granted to the Directors of the Company at the last AGM held on 2 September 2020, which will lapse at the conclusion of the 42nd AGM to be held on 18 June 2021.*

*The renewal of this mandate will provide flexibility to the Company for any fundraising activities, including but not limited to placing of shares, for purpose of funding future investment, working capital and/or acquisitions.*

## **Registered Office**

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