
# 2019
## Annual Report

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

## our 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.

## our 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.

## our CORE VALUES

**INTELLECTUAL, HONESTY AND INTEGRITY**

**ADDING VALUE THROUGH INNOVATION AND CONTINUOUS IMPROVEMENT**

**GLOBAL PERSPECTIVE AND COMPETITIVE SPIRIT**

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

**CREATING SUSTAINABLE SHAREHOLDER VALUE THROUGH QUALITY OPERATIONS**

# CONTENTS

# EMBRACING A VIBRANT WORK CULTURE


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

**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 2019, the Group produced 25,752 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 industrial application. MSC Straits Refined tin brand is registered at LME (London Metal Exchange) and KLTM (Kuala Lumpur Tin Market). 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 significant tin producer, incorporating international best mining and energy efficiency practices.

The MSC Group will soon be joining a handful of tin smelters in the world who have already started using the Top Submerged Lance (TSL) technology for tin smelting. The ISASMELT furnace located at its Port Klang smelter is being refurbished in preparation to carry out tin smelting. The migration from Reverberatory furnace to ISASMELT furnace is expected to increase processing efficiency and throughput. The ISASMELT furnace will also be fitted with a waste heat recovery system to power some of its plant and equipment. Besides this, power generated from the solar panels mounted on the smelter roof is further testimony of the Group's vision to continuously harness power from renewable sources to reduce its carbon footprint. The new smelter's location is equally strategic due to its proximity to the port and LME warehouse.

The Group will continue to focus its growth strategy on its core business through organic growth where its core expertise '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 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

1
**Ms. Chew Gek Khim PJG**
*Chairman, Non-Independent Non-Executive Chairman*

2
**Mr. Chia Chee Ming, Timothy**
Senior Independent Director

3
**Dato' Robert Teo Keng Tuan**
Independent Non-Executive Director

4
**Mr. John Mathew A/L Mathai**
Independent Non-Executive Director

5
**Datuk Kamaruddin Bin Taib**
Independent Non-Executive Director

6
**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)*

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Singapore Exchange Securities Trading Limited

## REGISTERED & CORPORATE OFFICE

Lot 6, 8 & 9, Jalan Perigi Nanas 6/1
Pulau Indah Industrial Park
West Port, Port Klang
42920 Pulau Indah, Selangor, Malaysia
Tel: (603) 3102 3083
Fax: (603) 3102 3080

## SALES & TRADING DIVISION

Unit 15-12, Level 15,
West Wing, Q Sentral
2A, Jalan Stesen 2, KL Sentral
50470 Kuala Lumpur, Malaysia
Tel: (603) 2276 6260
Fax: (603) 2276 6245

## BUTTERWORTH SMELTER

27 Jalan Pantai
12000 Butterworth
Penang, Malaysia
Tel: (604) 333 3500
Fax: (604) 331 7405 / 332 6499

Website: www.msmelt.com
Email: msc@msmelt.com

## SHARE REGISTRARS

- **MALAYSIA**

Boardroom Share Registrars Sdn. Bhd.
(Formerly known as Symphony 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

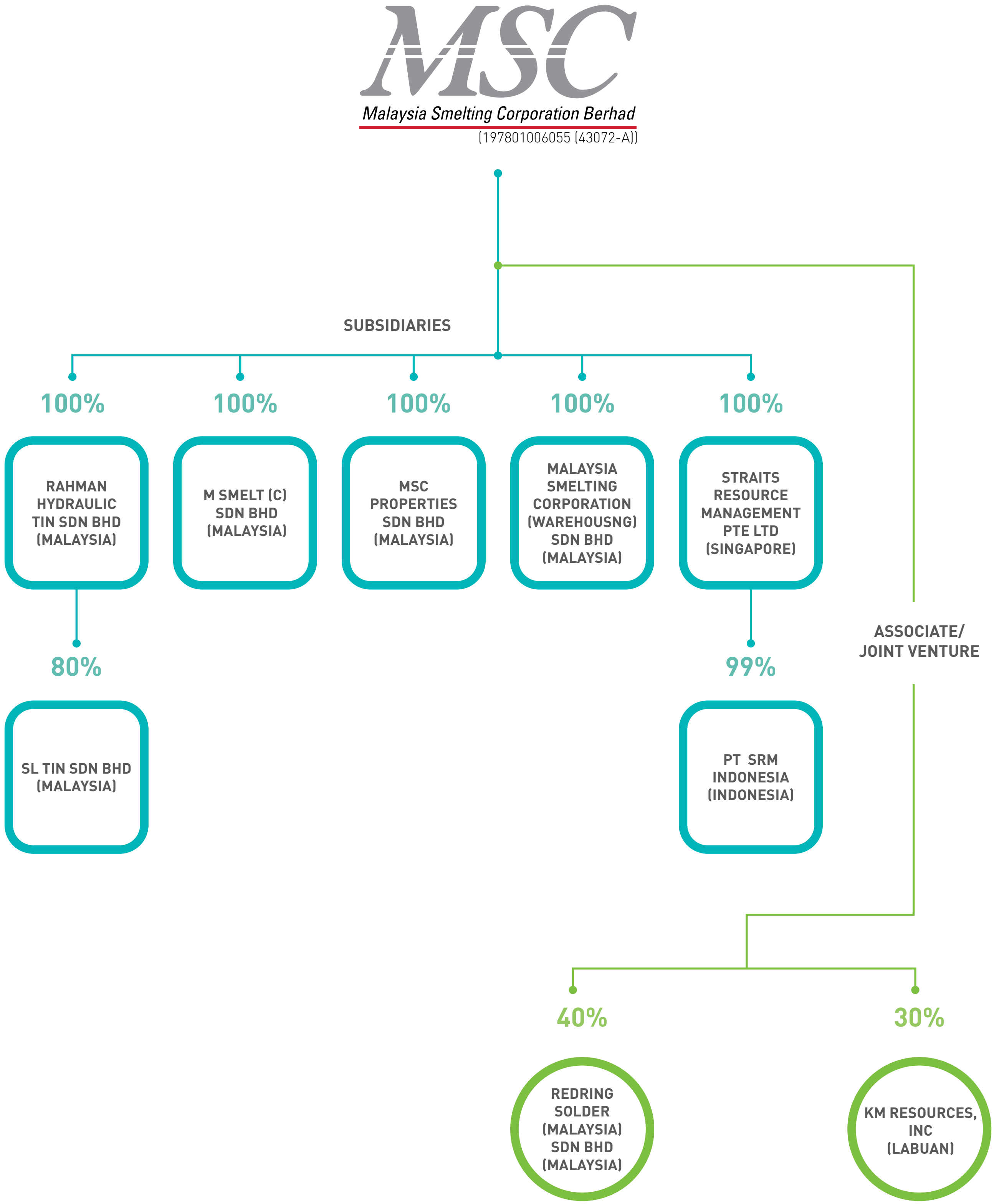
## AUDITORS

Ernst & Young PLT
Level 23A Menara Milenium
Jalan Damanlela
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

# CORPORATE STRUCTURE



# KEY FINANCIAL HIGHLIGHTS

| | | Year ended 31 December | | | | |
|---|---|---|---|---|---|---|
| | | **2019** | **2018** | **2017** | **2016** | **2015** |
| Revenue | (RM Mil) | **983.6** | 1,280.9 | 1,436.2 | 1,477.9 | 1,464.9 |
| Profit before tax | (RM Mil) | **44.7** | 49.8 | 28.2 | 49.5 | 3.2 |
| Income tax expense | (RM Mil) | **(14.0)** | (15.5) | (12.1) | (15.2) | (8.0) |
| Profit/(Loss) attributable to the owners of the Company | (RM Mil) | **30.7** | 34.3 | 16.1 | 34.3 | (4.8) |
| Total assets | (RM Mil) | **824.3** | 842.9 | 874.4 | 794.6 | 807.0 |
| Net current assets | (RM Mil) | **203.5** | 158.9 | 76.9 | 114.0 | 32.5 |
| Equity attributable to the owners of the Company | (RM Mil) | **368.9** | 348.0 | 290.8 | 279.1 | 241.0 |
| Earnings/(Loss) per share | (sen) | **8** | 9 | 4[1] | 9[1] | (1)[1] |
| Dividend per share | (sen) | **2[2]** | 2[5] | 1[1], [4] | 2[1], [3] | – |
| Net assets per share attributable to the owners of the Company | (sen) | **92** | 87 | 73[1] | 70[1] | 60[1] |
| Pre-tax profit on average equity attributable to the owners of the Company | (%) | **12** | 16 | 10 | 19 | 1 |

[1] *The figures have been adjusted to reflect the share split and bonus issue exercises completed on 15 August 2018 for comparative purposes.*

[2] *Subject to the approval of the members at the forthcoming Annual General Meeting.*

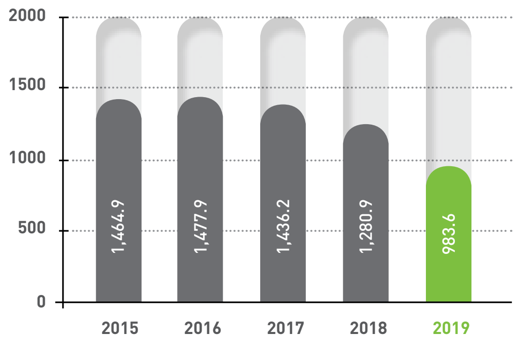
[3] *The dividend was paid on 11 July 2017.*

[4] *The dividend was paid on 9 July 2018.*

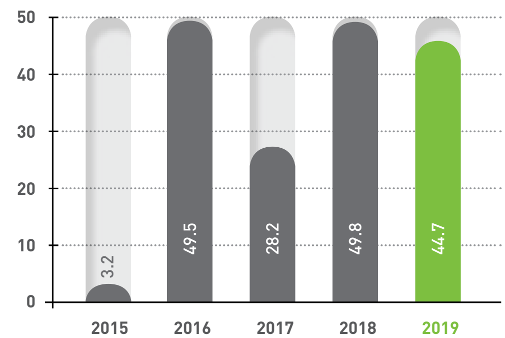
[5] *The dividend was paid on 28 June 2019.*

## KEY FINANCIAL HIGHLIGHTS

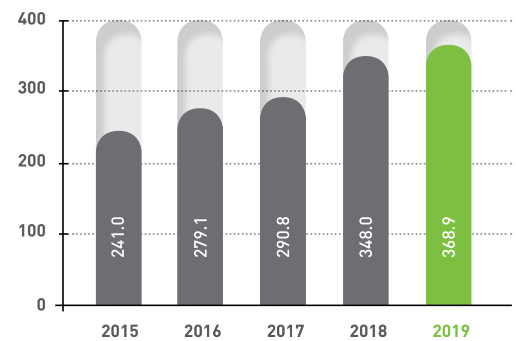
### REVENUE (RM MIL)



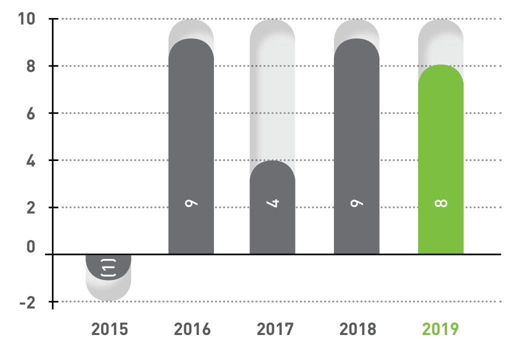

### PROFIT BEFORE TAX (RM MIL)



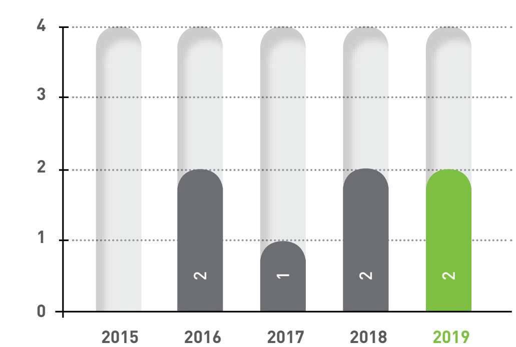

### EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (RM MIL)



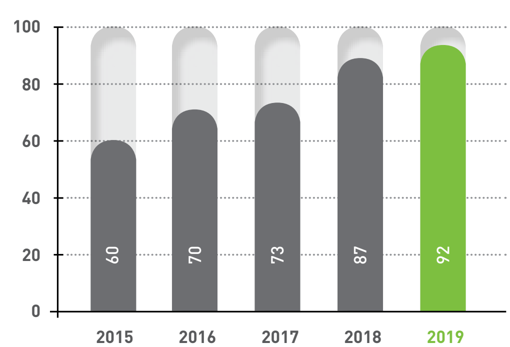

### EARNINGS/(LOSS) PER SHARE (SEN)




### DIVIDEND PER SHARE (SEN)




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



# PROFILE OF DIRECTORS

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

**Age:** 58
**Gender:** Female
**Nationality:** Singaporean

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

Ms. Chew Gek Khim was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 18 March 2016. She assumed the role as Chairman of the Company on 11 May 2016. She was 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

**Age:** 70
**Gender:** Male
**Nationality:** Singaporean

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

Mr. Chia Chee Ming, Timothy was appointed as an Independent Non-Executive Director of the Company on 19 May 2016. He has been re-designated as Senior Independent Director of the Company with effect from 24 February 2017. He was 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 recently 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, 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

**Age:** 70
**Gender:** Male
**Nationality:** Malaysian

- *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*

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 board of Symphony Life Berhad, Malaysian-German Chamber of Commerce & Industry and Malaysian Spanish Chamber of Commerce & Industry.

He is also a member of Executive Committee of Malaysia Australia Business Council, member of Executive Committee of Italy Malaysia Business Association and Board of Trustee of Malaysia Nature Society.

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

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

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

Mr. John Mathew A/L Mathai was appointed to the Board of the Company as an Independent Non-Executive Director on 23 March 2016. He was also appointed as a member of both the Nominating & 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.

# PROFILE OF DIRECTORS

## DATUK KAMARUDDIN TAIB

Independent Non-Executive Director

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

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

Datuk Kamaruddin 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, RAM Holdings Berhad, Fraser & Neave Holdings Berhad, 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.

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

Non-Independent Executive Director/ Group Chief Executive Officer

**Age:** 67
**Gender:** Male
**Nationality:** Malaysian

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

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 re-designated 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 2019.

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 53 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 204 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)

**Age:** 47
**Gender:** Male
**Nationality:** Malaysian

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

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

Mr. Nicolas Chen joined MSC on 1 November 2017 as General Manager (Special Projects) of 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.

As at 19 June 2020, Mr Nicolas Chen holds 214,300 shares in the Company.

## LAM HOI KHONG
Group Chief Financial Officer

**Age:** 49
**Gender:** Male
**Nationality:** Malaysian

- *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*

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**
Group Chief Operating Officer, Smelting

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

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

Ir. Raveentiran A/L Krishnan has been 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.

As at 19 June 2020, Ir. Raveentiran holds 32,000 shares in the Company.

**EN. MADZLAN BIN ZAM**
Executive Director & Senior General Manager, Rahman Hydraulic Tin Sdn. Bhd.

**Age:** 61
**Gender:** Male
**Nationality:** Malaysian

- *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*

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 incharged in tin and gold exploration and mining development projects in Malaysia as well as overseas i.e. Indonesia, Australia, New Zealand, Lao People Democratic Republic, Thailand, Myanmar, Kyrgyz Republic, Europe and Democratic Republic of Congo.

En. Madzlan has vast experiences and knowledge in both primary and alluvial tin, gold, base metals and coal; and was also in charge of managing a tin mine in Indonesia. He has experiences working with consultants 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

**Age:** 65
**Gender:** Male
**Nationality:** Malaysian

- *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)*

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 2019.

# STATEMENT BY THE CHAIRMAN

*Dear Shareholders,*

**On behalf of the Board of Directors ("Board"), it is my pleasure to present the Annual Report and Audited Financial Statements of Malaysia Smelting Corporation Berhad ("MSC" or "the Group") for the financial year ended 31 December 2019 ("FY2019").**

**FY2019 NET PROFIT OF**

**RM30.7 MILLION**

## REVIEW OF PERFORMANCE

2019 was a challenging year as we saw prolonged trade tensions between China and the United States ("US") affecting consumer and business sentiments worldwide. Tin uptake was also impacted as demand for solder, the largest global share of tin use, declined on the back of weakening global manufacturing and supply chain issues.

According to the International Tin Association ("ITA"), total refined tin produced in 2019 amounted to approximately 334,400 tonnes, which is 10% lower than 372,000 tonnes in 2018. During the year, tin prices averaged 7% lower to USD18,616/tonne from USD20,067/tonne a year ago.

Amid a difficult macroeconomic environment, MSC delivered a net profit of RM30.7 million for FY2019, driven by stronger earnings of the tin mining division.

To reward our shareholders, the Board has recommended a First and Final Single-Tier dividend of 2 sen per share, with a total dividend payable of RM8.0 million for FY2019. This represents a dividend payout ratio of 26% of FY2019 net profit, consistent with previous years' dividend payments.

# STATEMENT BY THE CHAIRMAN

We remain steadfast in our commitment to enhance value for our shareholders through consistent dividend payouts. Whilst we do not have a formal dividend policy, we strive to continually reward shareholders, after taking into account the Group's working capital needs, financial position and expansion plans moving forward.

## BUILDING RESILIENCE

In early 2020, we saw the spread of the Novel Coronavirus ("Covid-19") pandemic further disrupting major industries and the global economy, as governments worldwide continued to impose strict containment measures. In an effort to curb the spread, countries implemented border controls and lockdowns to restrict movement, resulting in further slowdown of overall trade and economic activities.

The tin industry was also not spared from the effects of Covid-19 as tin mines around the world temporarily closed to comply with these restrictions, in order to protect the health of workers and the larger community. Similarly, in Malaysia, a Movement Control Order ("MCO") was enforced on 18 March 2020, which led to the interim closure of many government and private premises, halting the Group's tin mining and smelting activities. The Group's smelting and mining operations recommenced on a staggered basis upon approval by the Ministry of International Trade and Industry ("MITI") on 4 April 2020 and 18 April 2020 respectively, with 50% of production capacity. On 28 April 2020, during the Conditional MCO ("CMCO"), both the smelting and mining operations resumed full operations at 100% production capacity.

Cognizant of the present challenges, we expect our production and performance to be affected for the first half of 2020. Despite these external headwinds, the long-term outlook for tin still remains intact.

Tin has been in the spotlight in recent times as research into its role in the new energy revolution has revealed much potential. With its positive electrochemical qualities, tin is a versatile base metal making it suitable for various energy-related applications. On the back of new discoveries on the usages of this unique metal, we foresee an increasing demand for tin in the long term.

We are confident that our fundamental strength as a leading integrated tin player will enable us to remain resilient in these challenging times. To ensure we maintain our competitive edge, we strive to continually adapt to the rapidly changing business environment with a focus on continuous efficiency and technological advancement.

Our plan to move the Group's smelting operations to a new and modern plant in Pulau Indah is making good progress and slated for completion by end of 2020. The new state-of-the-art facility is equipped with the revolutionary Top Submerged Lance Furnace ("TSL") smelting technology, which will significantly enhance our recovery yields and production capacity by 50%. At the same time, we also expect to achieve improved cost efficiencies with lower spending on labour, due to less manpower needed to operate the furnace. We will also stand to benefit from the strategic location of the Pulau Indah plant which is in close proximity to Westport and the London Metal Exchange warehouses.

The impending relocation of smelting operations to Pulau Indah will also free up the Butterworth land covering 13.9 acres for other developments. At the moment, we are partnering with MSC's parent company, The Straits Trading Company Limited ("STC") and exploring options to unlock the value of the land and maximize returns for both parties. STC owns the neighbouring land in Butterworth spanning 26.2 acres. On a combined basis, the land amounts to a sizeable 40.1 acres.

Situated in a prime location with excellent connectivity with a short drive to Penang Sentral, an integrated transportation hub for railway, ferry and bus services for the state of Penang, the land boasts a panoramic view of Penang island. These factors make the Butterworth land an attractive proposition for investment and development purposes.

With our ongoing initiatives, we are confident of reinforcing our position as a leader in the tin industry and continuing to deliver value to our shareholders.

## SUSTAINABILITY MATTERS

One of the Group's strategic goals is to become an environmentally friendly tin producer. As a responsible corporate entity, we embrace and embed sustainable practices in both our tin mining and tin smelting operations.

In FY2019, we invested over RM4.9 million in environmental management and monitoring across the Group. Our sustainability initiatives revolve on implementing the best practices for managing resources in relation to water, energy and waste materials.

We continue to invest in the development of our people during the year to ensure we have the right capabilities to support and realise our goals. Training programmes are conducted during the year to encourage our employees to explore and fulfil their professional aspirations within the Group.

Our commitment to sustainability extends beyond our operations to the nearby communities where we operate. As a responsible corporate entity, we strive to give back to the community through various means such as charitable donations and employment of local workers, to name a few.

Our sustainability initiatives are further elaborated in the Group's Sustainability Statement on pages 29 to 46 of this Annual Report.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to convey my gratitude to the management team and employees for their continued loyalty and commitment as we work towards propelling the Group forward.

My appreciation also extends to our customers, suppliers, bankers, business partners and relevant authorities for their cooperation and support over the years. I would like to thank my fellow directors for their sound advice and support throughout the year.

Last but not least, thank you to our shareholders who have been with us throughout these years, staying on this journey as we steer the Group towards further success.

**CHEW GEK KHIM PJG**
*Non-Independent Non-Executive Chairman*
19 June 2020

DIVIDEND PAYOUT FY2019

**26% OF NET PROFIT**

INVESTED

**RM4.9 MILLION**

IN ENVIRONMENTAL MANAGEMENT AND MONITORING

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW

**Established in 1902, Malaysia Smelting Corporation Berhad ("MSC" or "the Group") is one of the leading integrated tin producers in the world. MSC's core operations comprise of both upstream and downstream activities in the tin value chain through (i) the international tin smelting operations, and (ii) the local tin mining business.**

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

Our upstream tin mining operations are carried out by the Group's tin mining subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT"). We own and operate Malaysia's largest hard rock open-pit tin mine located at Pengkalan Hulu in the state of Perak. Tin ore is extracted from the earth, then processed into tin-in concentrates to be utilised as raw materials to support our smelting operations.

We source our smelting feed intake locally as well as from overseas. At the moment, less than 10% of the smelter's input is from our own mines and we intend to increase this by expanding our daily production output and tin exploration activities.

Meanwhile, our tin smelting activities are performed at our smelting facility in Butterworth, Penang, converting tin-bearing ores into high-purity refined tin metal. The Butterworth smelter has been operational since 1902 using the ageing reverberatory furnaces. In a bid to enhance our smelting performance, we are currently in the midst of relocating the Group's full smelting operations from Butterworth to a new location in Pulau Indah, Port Klang.

In 2019, we remained focused on implementing our strategic plans to strengthen MSC Group amid a demanding operating backdrop. Our aim is to enhance our position as a leading integrated tin producer as we continue to build a solid foundation with increasing efficiencies while shrinking our carbon footprint.

## OPERATIONAL HIGHLIGHTS

### *Local Tin Mining Operations*

For 2019, RHT's production volume of tin-in concentrates was stable at approximately 2,288 tonnes. We aim to increase our daily mining output as we undertake exploration activities of new tin mine deposits to ensure a sustainable supply of feed intake.

Our drilling initiatives have led to a discovery of new tin ore bodies at the adjoining Western side of the RHT mine ("Western resources"). As at 1 January 2020, our estimated tin ore resources, comprising both current and new Western resources, are tabulated below:

| Resources Class | Resources Volume ($m^3$) | Grade ($KgSn/m^3$) | Contained Tin (tonnes Sn) |
|---|---|---|---|
| Measured | 2,648,577 | 3.31 | 8,769 |
| Indicated | 3,935,655 | 3.64 | 14,326 |
| Inferred | 13,856,838 | 1.94 | 26,916 |
| Total | 20,441,070 | 2.45 | 50,011 |

*Estimated Tin Resources as at 1 January 2020*

*RHT tin mine in Klian Intan*

**PRODUCTION VOLUME OF TIN-IN CONCENTRATES AT APPROXIMATELY**

**2,288 TONNES**

Our current and new Western resources would be mined as a single mining operation, due to the close proximity of both locations. Hence, we are working on designing a new enlarged pit, covering an area of approximately 63.4 hectares ("ha") from 44.6 ha previously, to mine the combined resources in an economically viable way.

To expand the present mineable resources, we plan to perform an infill drilling program at the immediate northwest of RHT's mine pit to confirm the level of resources and if economically viable, to include the resources in the mine pit design.

# MANAGEMENT DISCUSSION & ANALYSIS

At the same time, we are delighted to share that during the year, RHT had received approval from the State Government of Perak ("Perak Government") for the issuance of new mining leases for several parcels of lands, covering more than 700 ha in Klian Intan, Perak. Under these new mining leases, RHT enjoys an extended mining period of up to 11 November 2034, representing an additional 4 years from RHT's previous leases expiring on 28 September 2030. This is expected to enhance our overall mining productivity and contribute positively to the Group's long-term earnings.

Over in Sungai Lembing, Pahang, the infrastructure work of mine facilities is already completed at the mining lease, enabling SL Tin Sdn. Bhd. ("SL Tin"), the Group's 80%-owned subsidiary to commence mining and commercial production in the near term. Sungai Lembing was known to be the richest producer of tin in the country and its mines were once considered the the deepest in the world before the closure in mid-1980s.


*SL Tin processing plant*


*Aerial view of SL Tin processing plant*

In addition to our efforts above, we are also exploring potential joint venture mining arrangements to expand our mining activities.

***International Tin Smelting Business***

In 2019, MSC produced 25,752 tonnes of tin metal, maintaining our position as the world's third largest refined tin producer. Over the course of the year, we remained steadfast in our efforts to enhance the productivity of our smelting operations for sustainable growth.

We are pleased to update that the relocation to Pulau Indah smelter is progressing well with full smelting activities expected to commence within the year. Nonetheless, we will still be operating both plants concurrently until stability is achieved at the new Pulau Indah facilty. Production at Butterworth will gradually phase out once the tin smelting operations at Pulau Indah is running smoothly and problem-free.

We remain committed towards greater operational and costs efficiencies in FY2019. The new Pulau Indah plant houses a cutting-edge extractive technology using the Top Submerged Lance ("TSL") furnace, which employs single-stage smelting as compared to the multi-stage smelting performed by the ageing reverberatory furnaces in Butterworth. With the transition, we can free up the tin build up caught in intermediates, hence further enhancing the Group's extractive yields.

Our new Pulau Indah smelter is designed to be one of the lowest-cost smelting facilities in the world. The TSL furnace can treat a larger volume of feed intake with higher intense reaction rates and enables us to scale up production capacity by 50% from 40,000 tonnes per year using oxygen enrichment without incurring additional capital expenditure.


*TSL furnace at Pulau Indah plant*

**25,752 TONNES**
**PRODUCTION OF TIN METAL IN 2019**

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

Furthermore, this new facility is anticipated to shrink our carbon footprint and emission of greenhouse gases with its single-stage smelting process and use of natural gas as fuel. At the same time, we have installed solar photovoltaic panels on our facilities' rooftops to harness solar energy to produce power, in addition to the waste heat recovery function.

Located at a mature industrial area in Port Klang, the new smelter is strategically situated within the proximity of Westport and London Metal Exchange warehouses. This bodes well for us in managing our transportation and distribution costs moving forward.

The transition is also expected to bring down the Group's manpower costs as the new smelting process requires less number of workers to manage it.

Due to the reduction in manpower, the Group is undertaking an internal restructuring exercise involving approximately 550 employees at the Butterworth facility, following the plant relocation. While we provide the opportunity for employees to relocate to Pulau Indah and upskill their capabilities, we are also offering a Voluntary Separation Scheme ("VSS") for employees who choose not to relocate.

We are pleased to share that our testing sessions at the Pulau Indah smelter have been successful as we have recently produced tin using the TSL furnace. To recap, the TSL furnace was previously used for smelting lead. We are the first in the world to retrofit and convert a lead smelter for the purpose of smelting tin.

Overall, we are confident that our ongoing measures will put MSC in a better position to face any unexpected challenges while capturing arising opportunities moving forward.

# MANAGEMENT DISCUSSION & ANALYSIS

## FINANCIAL PERFORMANCE REVIEW

In 2019, the operating landscape for the tin industry remained challenging as the world experienced an economic slowdown arising from prolonged geopolitical tensions with volatile currency movements. Against this backdrop, tin demand continued to be affected, leading to a build-up in inventories and lower tin prices.

Despite the demanding operating landscape, MSC remained resilient to deliver a solid set of results for FY2019. Below is a snapshot of the Group's key performance and average tin market prices:

| Operating snapshot | 2019 | 2018 |
|---|---|---|
| Group's revenue (RM million) | 983.6 | 1,280.9 |
| Group's profit before tax (RM million) | 44.7 | 49.8 |
| **International Tin Smelter** | | |
| Production of refined tin | 25,752 tonnes | 27,085 tonnes |
| Profit/(Loss) before tax (RM million) | (38.7) | 13.1 |
| **Tin Mine** | | |
| Production of tin-in-concentrates | 2,288 tonnes | 2,355 tonnes |
| Profit before tax (RM million) | 88.5 | 38.1 |
| **Tin price** | | |
| Average tin market price (USD per tonne) | 18,616 | 20,067 |

The Group recorded a total turnover of RM983.6 million in FY2019, against RM1,280.9 million in FY2018, on the back of lower sales of refined tin and less favourable tin prices. According to the Kuala Lumpur Tin Market, average tin prices in 2019 was 7% lower at USD18,616/tonne.

In tandem with the lower revenue base, the Group's profit before tax ("PBT") stood at RM44.7 million, against RM49.8 million in the previous year.

Meanwhile, the Group's share of results of associate and joint venture amounted to a net loss of RM4.1 million in FY2019, after taking into account adjustments of RM1.6 million arising from a restatement of its investment properties located overseas to depreciated cost, in line with the Group's policy.

For the year under review, the Group posted a net profit of RM30.7 million, against RM34.3 million in FY2018.

The tin mining operations was the main earnings driver in FY2019 as net profit increased two-fold to RM66.7 million from RM25.3 million in FY2018, mainly due to a one-off reversal for provision of RM48.4 million for tribute payments no longer required.

Meanwhile, the Group's tin smelting division was impacted by the slowing global tin demand and prices, resulting in an inventory write down of RM31.1 million during the year. At the same time, we recorded a provision for a VSS exercise of RM15.0 million in relation to the internal restructuring exercise at the Butterworth plant. On the back of these one-off non-recurring items, the smelting business posted a net loss of RM30.8 million in FY2019.

There was also a duplication of overhead expenses with the running of two smelting facilities in Butterworth and Pulau Indah in parallel, with only the Butterworth plant generating revenue. We expect the smelting division's financial performance to improve once we phase out production at Butterworth.

## SOLID FINANCIAL POSITION

Total assets for MSC amounted to RM824.3 million as at 31 December 2019, compared to RM842.9 million as at 31 December 2018. In tandem with lower revenue, trade receivables was lower at RM13.7 million in FY2019 and is largely within MSC's normal trade credit terms of up to 90 days. We continue to remain vigilant and closely monitor our collection of receivables.

During the year, the Group generated a positive net operating cash flow of RM46.4 million, and had a cash and bank balance totalling RM35.7 million as at 31 December 2019. Inventories stood at RM467.4 million.

Our capital management approach involves maintaining a prudent debt level to ensure optimal returns to shareholders, while maintaining flexibility to carry out our day-to-day operations. In FY2019, total borrowings decreased 9.2% to RM266.2 million from RM293.0 million as at end-2018 due to the repayment of short-term borrowings, mainly bankers' acceptances. This translated to a gearing ratio of 0.7 times as at 31 December 2019.

At the same time, MSC's shareholders' equity rose to RM368.9 million as at end-2019 from RM348.0 million a year ago, on the back of higher retained earnings of RM164.5 million. Net assets per share grew to 92 sen from 87 sen in the previous year.

Overall, our balance sheet is on a solid footing with sufficient financial resources to support our operations and ongoing initiatives in the ensuing year.

**TOTAL ASSETS AMOUNTED TO**
**RM824.3 MILLION**
**IN 2019**

**NET OPERATING CASH FLOW OF**
**RM46.4 MILLION**
**IN 2019**

## DIVIDEND

The Board has proposed a First and Final Single-Tier dividend of 2 sen per share in respect of FY2019, amounting to a total dividend payable of RM8.0 million. This is subject to shareholders' approval at the forthcoming Annual General Meeting. The Board views that the proposed dividend strikes a delicate balance between rewarding our shareholders while retaining funds to sustain the Group's growth.

## FORGING AHEAD

We foresee the tin market to remain soft in the near-to-mid term with growing uncertainties arising from the prolonged geopolitical tensions and outbreak of the Novel Coronavirus ("Covid-19"). The spread of Covid-19 pandemic worldwide may further disrupt the global supply chain for the remaining of 2020. The full implications of Covid-19 will depend on the duration and severity of the outbreak.

Despite the global economic slowdown, we believe the fundamentals for the global tin industry remain robust with tin playing a key role in the growing energy storage and electric vehicles sectors, in addition to other well-known applications such as solder.

# MANAGEMENT DISCUSSION & ANALYSIS

We remain positive on the long-term outlook of tin driven by diversification of applications in new technologies. We foresee tin application in lithium-ion batteries for electric vehicles to stimulate demand growth as the market is still developing. According to the International Tin Association ("ITA"), two research studies were conducted showing that lithium ions move at a much faster pace when tin was added to the mix. These findings demonstrate that tin plays an important part in the advancement of technologies.

Meanwhile, tin supply is anticipated to remain surpressed at the current tin price levels, exacerbated by the temporary closure of many tin mines worldwide due to strict containment measures implemented. Meanwhile, more governments are also imposing stricter policies in relation to trade and environmental aspects, which also led to more production cuts.

Internally, we are working towards setting up a Research and Development ("R&D") centre at the new Pulau Indah plant, with the aim of expanding the usage of tin with detailed study and analysis of the base metal.

As we move to Pulau Indah, the land in Butterworth will be freed up for development opportunities. Together with our parent company, the Straits Trading Company Ltd ("STC"), we will explore options on unlocking value of the Butterworth land spanning a combined 40.1 acres of land.

In conclusion, our initiatives in 2019 to strengthen MSC's core operations will continue in 2020 as we navigate through these demanding times. For our smelting division, we look forward to enhanced smelting performance while driving costs down upon the relocation of full smelting operations to the new Pulau Indah plant.

For our tin mining arm, we expect our tin mining productivity to improve with our ongoing tin mine exploration and expansion efforts. These undertakings are consistent with the Group's areas of growth and ensure we have a competitive edge for the future. With our plans set in motion, we are confident of forging a resilient path towards sustained success while meeting the future demand for tin.

## ANTICIPATED RISKS

### *Political, economic and regulatory risk*

Our operations and financial condition are exposed to risks arising from the developments in the economic, political and regulatory environment on a domestic and global level. These could adversely impact the profitability and business prospects of the Group. Nonetheless, we remain vigilant and continue to adopt effective measures, such as prudent management, to mitigate these factors.

### *Volatility in tin price*

The market price for tin is volatile and not within the Group's control. Various factors such as tin supply and demand conditions, as well as government and trade policies, affect the movement of tin prices. Significant changes in tin prices may have a material impact on the Group's financial performance. To minimise this risk, we have entered into forward commodity contracts to act as a hedge against adverse price movements. In addition, we also monitor the tin prices closely and constantly review our hedging policies.

### *Foreign currency rates fluctuations*

Our operations are exposed to risks of foreign currency fluctuations as the Group has transactions and borrowings denominated in foreign currencies, primarily in US Dollar and Singapore Dollar. Nevertheless, we deem our exposure as minimal as we benefit from some natural hedge in our operations with most of our purchases are demoninated in US Dollar. To further reduce the residual risks, we also enter into forward currency contracts to hedge our foreign currencies.

## ACKNOWLEDGEMENTS

I would like to extend my heartfelt gratitude to my fellow management team members and all of MSC's employees for remaining resilient and steadfastly working towards the Group's goals during these challenging times.

My sincere gratitude also goes out to our stakeholders, including our shareholders, bankers, customers, suppliers, bankers, business associates and various regulatory authorities for their enduring confidence and support to the Group.

Last but not least, I would like to convey my appreciation towards our Board of Directors who were instrumental in guiding us with their wise counsel during the year.

**DATO' DR. IR. PATRICK YONG MIAN THONG**
*Group Chief Executive Officer*
*19 June 2020*

# TIN STATISTICS

**Deliveries of Refined Tin from MSC**
(Tonnes Refined Tin by reported destination)

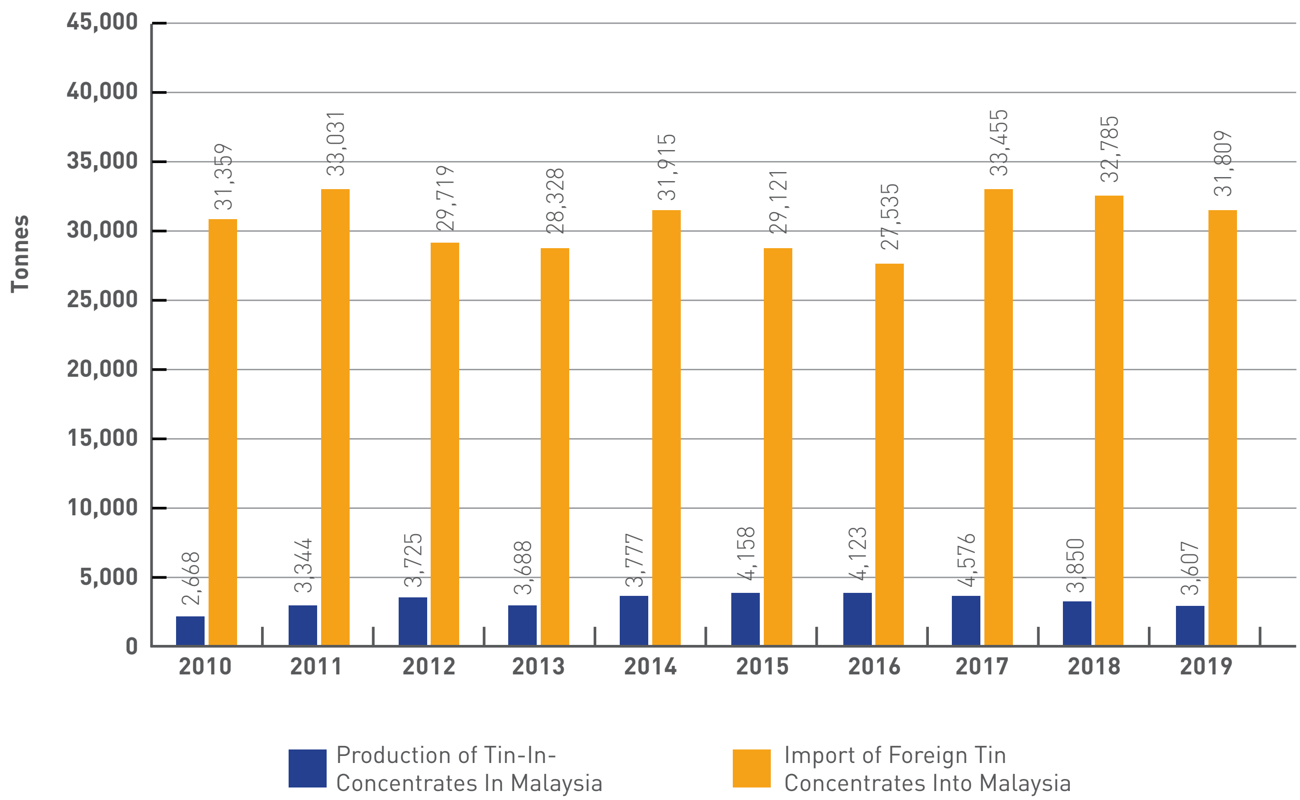
| Destination | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Africa | 242 | 270 | 145 | 693 | 300 | **375** |
| Australia & New Zealand | – | – | – | – | – | **50** |
| China | 316 | 587 | 866 | 848 | 784 | **400** |
| EEC | 2,479 | 1,756 | 2,112 | 1,931 | 2,332 | **2,954** |
| India, Pakistan & Bangladesh | 4,459 | 2,286 | 2,686 | 3,832 | 890 | **462** |
| Japan | 3,348 | 3,763 | 3,517 | 3,881 | 3,821 | **3,812** |
| Middle East | 266 | 313 | 265 | 503 | 668 | **717** |
| Taiwan | 1,394 | 1,034 | 1,075 | 1,025 | 1,071 | **1,239** |
| Korea | 7,780 | 6,725 | 5,824 | 1,947 | 889 | **1,695** |
| Rest of Asia Pacific | 240 | 273 | 15 | 76 | 1,667 | **1,684** |
| Singapore | 100 | 45 | – | – | – | **–** |
| South America | 325 | 215 | – | – | – | **–** |
| USA | 5,165 | 5,125 | 4,100 | 5,151 | 7,923 | **5,195** |
| | **26,114** | **22,392** | **20,605** | **19,887** | **20,345** | **18,583** |
| Malaysia | | | | | | |
| For domestic consumption* | 9,037 | 7,572 | 6,375 | 7,263 | 6,996 | **7,090** |
| | **35,151** | **29,964** | **26,980** | **27,150** | **27,341** | **25,673** |

** 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) |
|---|---|---|
| 2010 | 2,668 | 31,359 |
| 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 |

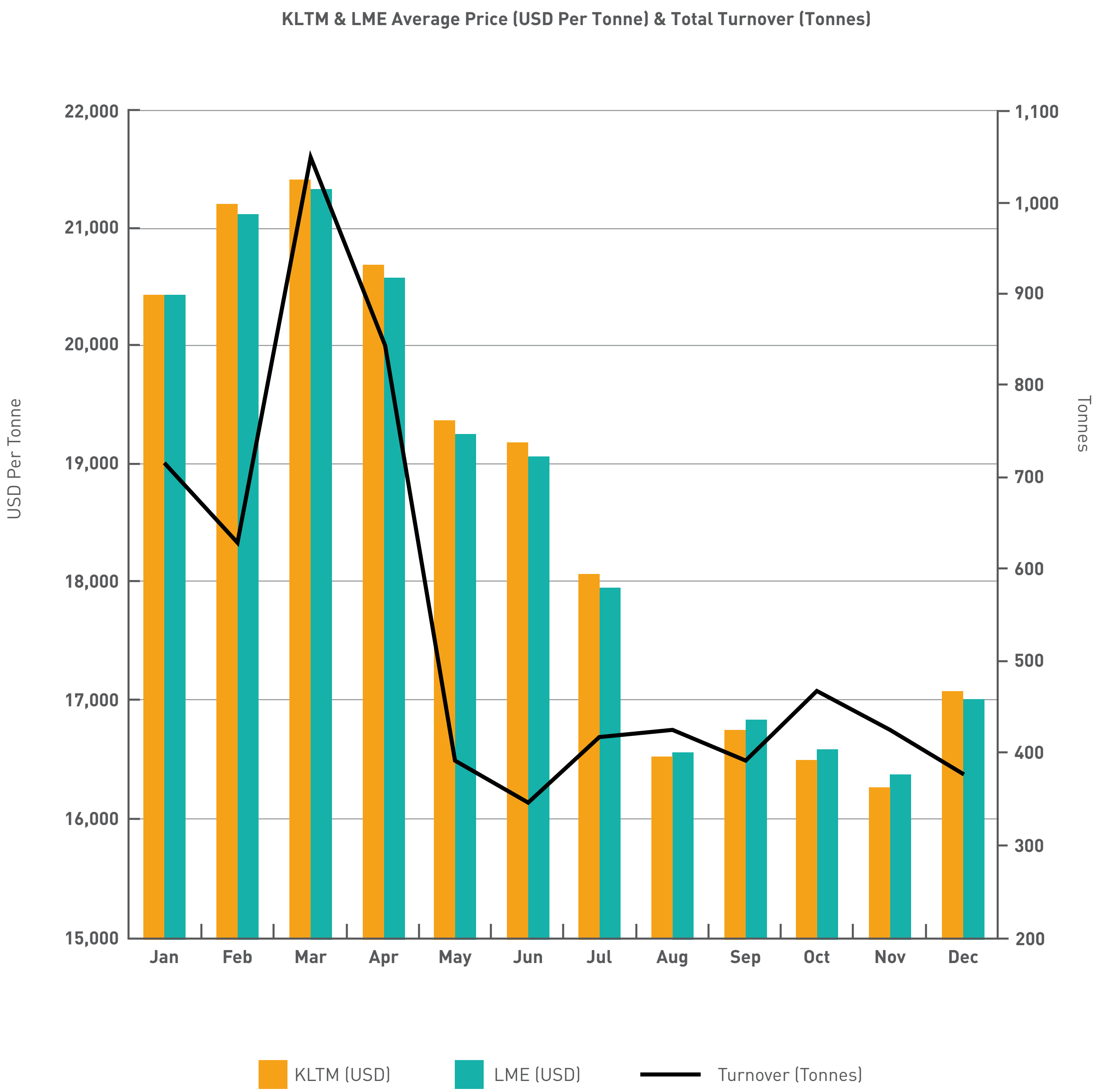
**Production of Tin-In-Concentrates in Malaysia and Import of Foreign Tin Concentrates into Malaysia**



# 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 |
|---|---|---|---|---|---|
| 2010 | 27,000 | 15,395 | 18,859 | 15,599 | 20,400 |
| 2011 | 33,300 | 18,560 | 26,177 | 11,387 | 26,100 |
| 2012 | 25,500 | 17,300 | 21,163 | 10,206 | 21,100 |
| 2013 | 25,150 | 19,150 | 22,318 | 9,530 | 22,308 |
| 2014 | 23,680 | 18,300 | 21,895 | 10,826 | 21,889 |
| 2015 | 19,950 | 13,700 | 16,050 | 12,679 | 16,018 |
| 2016 | 22,000 | 13,250 | 17,926 | 11,568 | 17,861 |
| 2017 | 21,100 | 18,900 | 20,027 | 8,890 | 19,970 |
| 2018 | 21,900 | 18,450 | 20,071 | 9,077 | 20,063 |
| 2019 | 21,760 | 15,700 | 18,594 | 6,445 | 18,582 |
| **2019** | | | | | |
| JANUARY | 20,970 | 19,550 | 20,360 | 719 | 20,349 |
| FEBRUARY | 21,760 | 20,980 | 21,256 | 628 | 21,141 |
| MARCH | 21,730 | 21,090 | 21,340 | 1,046 | 21,328 |
| APRIL | 21,450 | 19,710 | 20,566 | 833 | 20,525 |
| MAY | 19,700 | 18,850 | 19,397 | 388 | 19,295 |
| JUNE | 19,230 | 18,800 | 19,066 | 344 | 19,046 |
| JULY | 18,870 | 17,470 | 18,068 | 416 | 17,967 |
| AUGUST | 17,425 | 15,700 | 16,524 | 422 | 16,542 |
| SEPTEMBER | 17,300 | 16,120 | 16,751 | 392 | 16,806 |
| OCTOBER | 16,850 | 16,000 | 16,494 | 464 | 16,599 |
| NOVEMBER | 16,600 | 15,950 | 16,275 | 417 | 16,355 |
| DECEMBER | 17,400 | 16,400 | 17,037 | 376 | 17,032 |

## TIN STATISTICS



# SUSTAINABILITY STATEMENT 2019

**Sustainability is one of the pillars that make up Malaysia Smelting Corporation Berhad's ("MSC" or "MSC Group" or "the Group") corporate philosophy and core values. It serves as guidance for the actions we take as an organisation.**

We are constantly looking for ways to innovate to become more productive and responsible in how we conduct our operations. As a leading integrated tin player, we aim to create economic and social benefits for our stakeholders while minimising impact on the surrounding environment.

We are pleased to present MSC's third Sustainability Statement ("Statement"), outlining our approach to sustainability in the economic, environmental and social contexts. We intend to share updates on our sustainability efforts and performance, including the progress as well as challenges we faced during the reporting period, in this report.

**1,269**
Employees

**RM 4.9 million**
Invested in environmental management and monitoring

**~ RM 400,000**
Total community-investment expenditures

**RM 56.7 million**
Paid in Salaries and Benefits

**15%**
Energy derived from renewable sources

**79%**
of Workforce are Locals

**14%**
of Workforce are Female

**~ RM 225, 000**
Invested in staff training and development

**52% reduction**
In Lost Time injury Frequency Rate

## ABOUT THIS REPORT

The scope of this report focuses on the operations of MSC Group involved in tin mining activities in Klian Intan, Perak, and our tin smelting operations at Butterworth, Penang and Pulau Indah, Port Klang.

It covers data which have been compiled internally from 1 January 2019 to 31 December 2019, unless otherwise stated. While the report is defined officially by the 31 December 2019 end date, key developments in early 2020 have also been included for additional context.

This Statement is prepared in accordance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") and guided by Bursa's Sustainability Reporting Guide – 2nd Edition.

### SUSTAINABILITY REPORTING FRAMEWORK AND CYCLE

**REPORTING PERIOD**
1 January 2019 -
31 December 2019

**REPORTING GUIDE**
- Main Market Listing Requirements
- Bursa Malaysia Securities Sustainability Reporting Guide (2nd Edition)

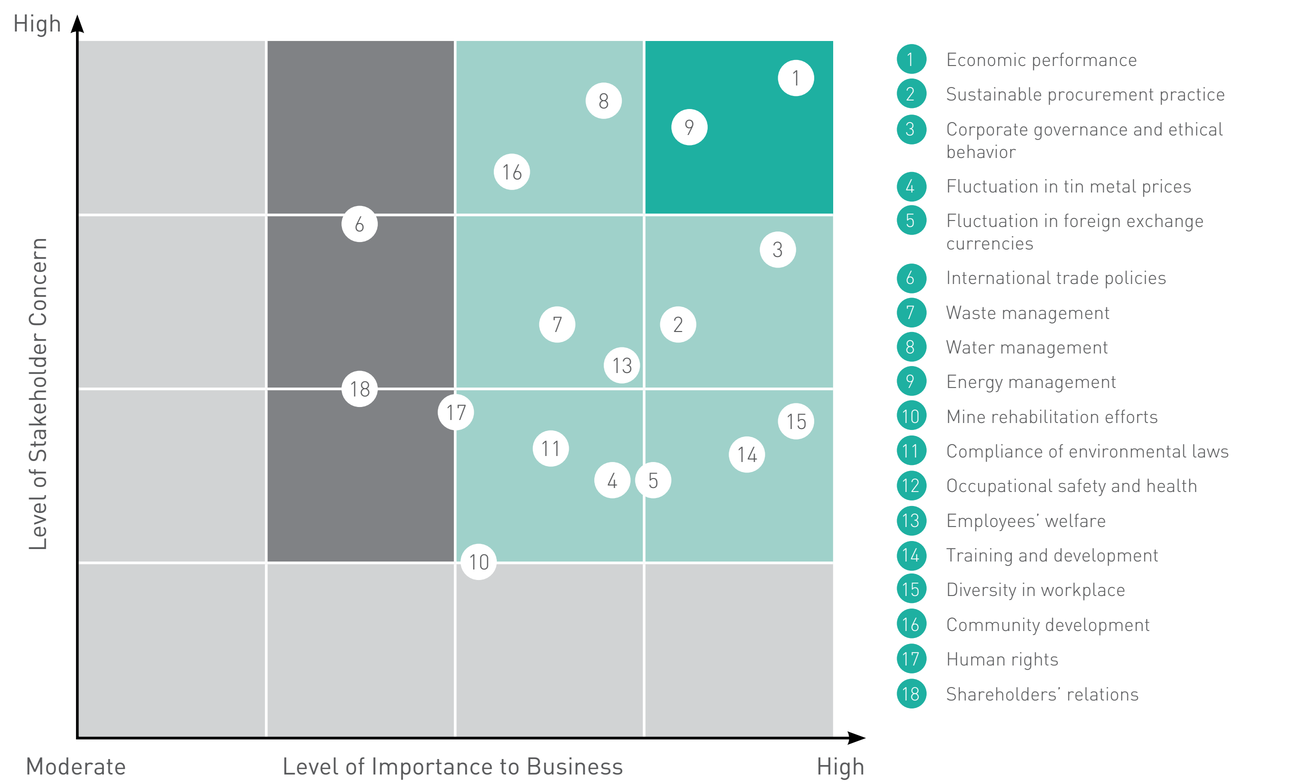
**REPORTING CYCLE**
Annual

## MATERIALIY ASSESSMENT

Our 2019 Sustainability Statement focuses on topics that are of great interest and material to our business and stakeholders. Our materiality study follows a structured process, with internal stakeholders, comprising of key management personnel, consulted during the course of the assessment.

A proposed list of material topics in relation to economic, environmental and social aspects were identified based on the input and feedback from our internal sources. The assessment involved ranking each of the shortlisted topic according to their importance, to determine the material topics.

Based on the outcome of the study this year, the Group has concluded that most of the material topics identified in 2018 still remain relevant. The results were mapped out on a Materiality Matrix, as shown below.




**Materiality Matrix**

## STAKEHOLDER ENGAGEMENT

At MSC, we recognise the importance of consistent engagement with our stakeholders in order to ensure the effectiveness of our actions and the contributions we make to society. We connect with a wide array of stakeholders through various channels, both formally and informally on topics which are of importance to them. The table below lists our key stakeholders, their interests, how we connect with them and the outcome of engagement in 2019.

# SUSTAINABILITY STATEMENT 2019

| Stakeholders | Engagement Methods | Key Concerns | Outcome of Engagement |
|---|---|---|---|
| **Investors / Shareholders** | - Annual General Meeting<br>- Bursa announcements<br>- Investor briefings and meetings<br>- Press releases<br>- Corporate website | • Business continuity<br>• Shareholders' return<br>• Good corporate governance<br>• Good corporate governance<br>• Legal compliance | Improved understanding of MSC's business operations and financial performance. |
| **Customers** | - Regular updates<br>- Engagement survey<br>- Meetings<br>- Site visits<br>- Networking conferences | • Product quality<br>• Good corporate governance<br>• Ethical business conduct | Improved insight on MSC's policies and business operations; better understanding of clients' needs; keeping abreast with the changes in the tin industry in terms of supply and demand, tin technology and applications, among others. |
| **Employees** | - Engagement sessions with management<br>- Human Resource programmes such as staff training and development<br>- Social events such as Annual Dinner and Family Days<br>- Sport and recreational activities<br>- Townhall sessions | • Professional development opportunities<br>• Workplace satisfaction<br>• Freedom of association and collective bargaining<br>• Occupational health and safety | Increased awareness of MSC's policies, core values and culture; improved staff morale and work environment. |
| **Local communities** | - Meet-ups with community<br>- Community events<br>- Charitable activities<br>- Informative briefings | • Contribution towards local economy<br>• Hiring of local labour<br>• Social and environmental matters | Improved rapport with community; develop shared initiatives and activities. |
| **Government agencies** *(Department of Environment, Department of Safety and Health, Department of Mineral and Geoscience, Atomic Energy Licensing Board)* | - On-site inspections<br>- Incident reports<br>- Regular reports<br>- Regular meetings<br>- Events<br>- Annual Report | • Compliance with legal obligations on economic, social and environmental aspects<br>• Value generation | Compliance with regulations |
| **Industry associations** *(International Tin Association)* | - Open dialogues<br>- Industry events<br>- Interviews<br>- Task force | • Outlook of tin industry<br>• Environmental impact<br>• Conflict-free operations | Keeping abreast with the changes in the tin industry in terms of supply and demand, tin technology and applications, among others. |
| **Non-governmental organisations** | - Site visits<br>- Meetings<br>- Events | • Advocacy for community and environmental interests | Improved understanding of NGO's concerns and issues on the tin industry; increase NGO's awareness of MSC's policies, sustainable practices and operations. |

## GOVERNANCE

At MSC, we firmly uphold the principles of ethical conduct in carrying out our day-to-day operations. Our values are reinforced through effective governance, strong leadership and corporate policies at MSC.

### Sustainability Governance Structure

Sound corporate governance is essential for us to achieve operational excellence. Our Board of Directors ("BOD") is the most senior authority within the Group. They are responsible for guiding and overseeing the advancement of sustainability initiatives across the organisation, with the participation of key members from the Senior Management team.

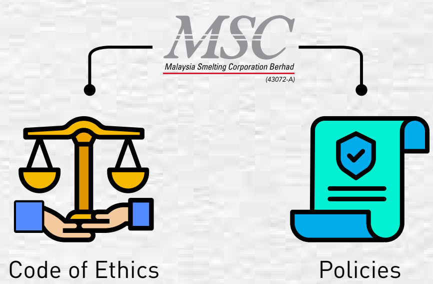
The BOD is supported by the Group's Senior Management team, which is led by our Group Chief Executive Officer ("GCEO"), Dato' Dr. Ir. Patrick Yong Mian Thong. They are responsible for the development and implementation of sustainability initiatives Groupwide.

### Ethical Business Practices

We implement our core values through the Group's internal systems and corporate policies. All our employees are expected to adhere to MSC's Code of Ethics and related policies. This is to ensure that the best industry practices are implemented throughout the Group as we reinforce our commitment to act with integrity.

#### *Code of Ethics*

The Group's Code of Ethics ("Code") is established to provide clear guidelines and expectations in the conduct of work and dealings with stakeholders. All aspects of the Group's business conducts are covered including confidentiality of information, dealings in securities, conflict of interest, gifts, bribes and dishonest conducts, among others. Our employees and business partners are required to act responsibly in compliance with the Code. More information can be found on the company's website at www.msmelt.com.




#### *Whistle-blowing Policy*

A whistle-blowing policy has been established to encourage employees or external parties to disclose any suspected misconduct, should there be any, without fear of victimisation, harassment, discrimination or intimidation. We are responsible to protect the confidentiality of all matters raised by the Whistler-blower by treating them in a confidential and sensitive manner.

### Social and Environmental License to Operate

As we grow as an organisation, we endeavour to maintain our social and environmental license to operate. This underlines our responsibility to operate ethically in a legitimate, accountable as well as socially and environmentally acceptable way.

Socially, we are committed to building a solid foundation and rapport with the local communities through regular engagement with members of the community, understanding and responding to their concerns, as we strive to deliver sustainable value in line with ethical business practices. We are also responsible for implementing effective environmental management initiatives in compliance with regulations.

All mining operations are covered under the Mineral Development Act 1994, while RHT has the responsibility of obtaining the Operational Mining Scheme to be approved by the Department of Minerals and Geoscience ("DMG") every year.

### Conflict-Free Smelter

Being a leading integrated tin mining and smelting group means collaborating with our many partners to achieve the goal of creating shared value. Our ability to procure high quality goods and services in a cost-efficient and conflict-free manner is essential to the Group's sustainability.

We are committed to upholding the highest standards when it comes to procuring our goods and services. To this end, we have put in place certain conditions which are to be adhered to by our suppliers, including maintaining a Responsible Minerals Sourcing Policy.

# SUSTAINABILITY STATEMENT 2019

For our tin smelting operations, we source our feed materials of primary tin concentrates, crude tin and secondary tin from various sources globally, including Conflict-Affected and High-Risk Areas ("CAHRA") such as Democratic Republic of Congo ("DRC") and its neighbouring countries.

As such, we take necessary steps to ensure we are not engaging in illegal minerals trade and are conducting our business ethically in compliance with requirements of the international community.

In 2019, MSC has once again been certified as a RMAP-compliant smelter as we completed the annual Conflict-Free Smelter audit. More information on our efforts can be found in MSC's Responsible Minerals Sourcing ("RMS") Audit Report for 2019, on pages 47 to 48 of this Annual Report.

It is important for MSC to work with peers across our supply chain in efforts to eradicate minerals which are linked to armed groups and participate in initiatives addressing matters relating to CAHRA countries.

As a leading member of the International Tin Association ("ITA"), we are continuously working to enhance the ITRI Tin Supply Chain Initiative ("iTSCi") traceability and due diligence system to increase transparency of the mineral supply chain and promote progressive improvement of the mining areas. iTSCi is a collaboration between the international tin industry, which is represented by ITA, and the Tantalum-Niobium International Study Centre, of which MSC is also a member.

## ECONOMIC IMPACT

### Economic Contribution

The economic performance of MSC is an important driver in our pursuit of sustainability. As a business, we generate a wide range of economic benefits distributed to the broader society. We pride ourselves of the greater value that we create for our stakeholders; our employees through wages and benefits, our shareholders through financial returns, as well as the government and local communities through tax payments and community investments.

**ECONOMIC VALUE GENERATED**

FY19 Revenue
**RM983.6 million**
*(FY18: RM1.3 billion)*

**ECONOMIC VALUE DISTRIBUTED**

FY19 Costs of tin mining and smelting
**RM826.5 million**
*(FY18: RM1.1 billion)*

FY19 Wages and benefits
**RM56.7 million**
*(FY18: RM56.2 million)*

FY19 Payment to Providers of Capital
**RM15.4 million**
*(FY18: RM17.2 million)*

FY19 Payment to Government in Taxes
**RM18.1 million**
*(FY18: RM15.1 million)*

FY19 Community Investments
**~RM400,000**
*(FY18: RM500,000)*

**MSC's Economic Contribution in 2019**

### Enhancing Productivity for Sustainability

In order to achieve steady growth over the long-term, strategic initiatives are carried out at both our tin mining and smelting divisions.

***Tin Mining***

We operate the largest hard-rock open pit tin mine in Malaysia. As we move forward, our efforts on enhancing our tin resources at the mine and increasing our overall mining productivity remain.

We are pleased to share that during the year, RHT has received new mining leases which extend the mining period by an additional 4 years to 11 November 2034.

In addition, RHT had leased two parcels of land located adjacent to RHT's existing mining leases in Klian Intan, measuring 100 acres and 323 acres. This land will be utilised for waste dumping activities and further tin ore extradition from the discards. As a result, we expect improvement in overall mining productivity as this would free up space within the existing mining areas.

During the year, we have also installed Global Positioning System ("GPS") tracking system in the dump trucks carrying waste materials around our mine pit. The GPS system allows real time monitoring of movements and speed of the truck, by controllers who are stationed at the fleet management control room. Previously, the number of trips from the pit to the processing plants and waste dump were recorded manually. This initiative has resulted in enhanced manpower productivity and safety at our mines.

We have also installed a new tracking system to monitor the performance of the rod mills and balls at RHT's processing plants, to ensure all rod mills and ball mills are running at optimum capacities. This system also allows real-time monitoring from the control room.

*RHT tin mine in Klian Intan*

***Tin Smelting***

Meanwhile, we continue to undertake innovative efforts to enhance our long-term performance in our tin smelting business. We are looking forward to the completion of the relocation of our smelting operations from our existing tin smelting facility in Butterworth, Penang to a new plant in Pulau Indah, Port Klang. The Group's Butterworth smelter has been in use since 1902 using dated reverberatory furnaces.

The new Pulau Indah facility is equipped with advanced smelting technology using the Top Submerged Lance ("TSL") furnace, resulting in a more efficient single-stage smelting process. This will lead to reduced operating costs and over-reliance on intensive labour, as the process requires less manpower. The technology upgrade will significantly enhance our extractive yields in a more environmentally friendly manner, reducing our carbon footprint.

More initiatives related to our tin mining and smelting activities can be found in the Management Discussion and Analysis section on pages 17 to 24.

*Top Submerged Lance Furnace*

# SUSTAINABILITY STATEMENT 2019

## Memberships and Associations

Involvement with memberships and industry associations allows MSC to be updated on relevant and important matters such as regulatory updates, market and sustainability trends and sharing of industry best practices, to name a few. In 2019, MSC was a member in the following industry associations:

- Malaysia Chamber of Mines (MCOM)
- Federation of Malaysian Manufacturing (FMM)
- International Tin Association (ITA)
- Tantalum and Niobium International Study Center (TIC)

## ENVIRONMENTAL IMPACT

Environmental responsibility is a critical component of MSC's sustainable growth agenda. To mitigate the impact of our operations to our surroundings, we apply precautionary measures by integrating various environmental controls within our operations. We closely monitor our environmental performance and seek to continuously improve our approach to handling these material matters.

In 2019, MSC Group invested over RM4.9 million in environmental management and monitoring efforts. We pursue and utilise best practices and tools to reduce our carbon and water footprint, while effectively managing our waste materials at the mines.

**RM 4.9 million**

Invested in environmental management and monitoring

### *Progressive Mine Rehabilitation*

We are committed to the protection of the environment throughout all phases of mining, from exploration to post-closure. We recognise that a successful mine closure is important to the surrounding environment and communities. As such, we integrate mine closure plans from the very start of the mining process to mitigate the impact of our operations with the institution of a Mine Rehabilitation Plan ("MRP").

We have successfully rehabilitated over 32 hectares of our mined-out area to date. This includes the 4 hectares under the collaboration between RHT and Forest Research Institute, Malaysia ("FRIM") on Afforestation and Reforestation on mined-out areas. This project commenced in 2011 as a 5-year plan, but has since been extended for another 4 years up to 2020.

Post-closure, the results from the FRIM study on suitable planting methods and tree species will be adopted. To this end, RHT has its own plant nursery in preparation for the eventual mine closure. The aim of this nursery is to have continuous supply of mature and quality seedlings for the progressive rehabilitation works in a more cost-effective manner as compared to sourcing from other nurseries. Most of the seedlings at our plant nursery are high in value timber tree types.

Apart from that, we also continuously perform greening works on the slopes of the tailing bunds, riverbanks and mined-out area by planting trees and hydroseeding to avoid any erosion and sedimentation into the streams.

*Afforestation at RHT Tin Mine*

*Plant Nursery*

## Water Management

Water is an important resource in our operations as our tin mining processes are dependent on this resource. It also has an immediate impact on nearby communities, which can affect local drinking water and agriculture. As such, we continue to strive for efficient water management and usage throughout our supply chain to reduce our impact on the environment.

### *Water Withdrawal and Recycling*

At our mine, we seek to minimise water withdrawal from natural sources through water recycling, wherever possible. We have a closed-circuit water circulation system, where 100% of the water discharged from the ore processing plant will flow to a series of tailing ponds. Here, the water will be recycled by pumping back clear water from the last tailing pond to the water storage pond, where the water will be redirected to the plants for re-use.

Tailing Ponds

In 2019, our mining activities consumed approximately 10.4 billion gallons of recycled water. Nonetheless, we also experience water seepages and evapotranspiration leading to water loss. To make up for this, approximately 518.0 million gallons of fresh water was pumped from Sungai Kijang to our tailing ponds this year.

Water Sampling

**10.4 billion**
gallons of recycled water

### *Water Quality Management and Treatment*

Being in the mining industry, we are responsible for mine water and continuous water quality monitoring and treatment to ensure conformance to regulatory requirements set by the Department of Mineral and Geoscience ("DMG").

Water management at RHT involves discharging clean water in compliance with regulatory requirements. To observe any environmental impact, our mining operations have effective water quality monitoring systems in place, as displayed below:

- Daily pH monitoring is carried out at the river exits of Kijang Dam and Kepayang Dam at our mining site, twice a day. The results are then submitted to the DMG at the end of day.
- Daily pH monitoring is conducted along 13 sampling points along Sg. Kijang and 4 water ponds within our mines.
- Weekly pH reading at 23 sampling points from 9 rivers surrounding our mines.

We also perform water sampling exercises at several points along the surrounding rivers:

- Fortnightly water sampling at both exit of Kijang and Kepayang Dam at our mining site. The samples are then analysed by DMG's laboratory for pH reading and heavy metals.

# SUSTAINABILITY STATEMENT 2019

- Monthly water sampling at 12 sampling points and analysed by private Skim Akreditasi Makmal Malaysia ("SAMM") accredited laboratory for similar parameters as DMG's laboratory.
- Regional water sampling is also conducted covering 100km river stretch from Pengkalan Hulu town to Gerik. The water samples are then analysed by the SAMM-accredited laboratory.

We treat the mine water before exiting our mines to the surrounding rivers. To this end, lime dosing operations are undertaken at multiple stations at our mine as part of the water treatment method to neutralise the acidity of the discharge and to suspend heavy metals in the water exiting our mining leases, ensuring compliance with the water quality standard prescribed in Mineral Development (Effluent) Regulations 2016 under Mineral Development Act 1994.


Mine Effluent Treatment with Hydrated Lime

Despite our environmental controls in place, there were contamination claims at one of the nearby rivers of our operations, Sungai Rui, by the Perak Water Board ("LAP"). Following these allegations, we approached and managed the situation by carrying out several initiatives, centred on raising awareness on the Group's operations and environmental management efforts, which include:

- Presentation and clarification to the authorities, including the Perak Chief Minister and State EXCO, of facts and figures based on local geological setting, mineralogy, mining operations, environmental management and our findings on other possible contribution to the incidence;
- Organised a mine visit for Perak EXCO and other government agencies such as LAP, DMG, DOE, and Department of Irrigation and Drainage ("DID") to educate the group on mining operations and environmental controls in place;
- Collaborated with the Information Department of Pengkalan Hulu to educate and raise awareness among the locals; and
- Organised a mine visit for members of media to educate the public on our operations and sustainability efforts.


Mine Visit by Authorities

At the same time, we conducted a study involving regional water and soil sampling along the river system in Hulu Perak. 73 water and soil samples were taken from 18 rivers involving over 100km stretch. All samples were sent to a private SAMM accredited laboratory for analysis with the aim of strengthening our precautionary measures.

To further enhance our water treatment process, we engaged professional geochemical consultants from Universitas Gadjah Mada, Yogyakarta, Indonesia to perform detailed analysis on the arsenic behaviours and its treatment.

As part of the MRP, a River Rehabilitation Plan has been prepared and communicated to the DID to propose the best rehabilitation method at Sg. Kijang and Sg. Kepayang. Meanwhile, we have also established an Erosion and Sediment Control Plan to mitigate erosion and excessive sedimentation into the nearby rivers.

Moving forward, we remain fully committed to sustainable water management to ensure responsible use of this resource and avoid any potential contamination occurrences in the future.

## Waste Management

As a tin mining and smelting group, we produce a significant amount of waste in the form of both hazardous and non-hazardous waste. The various types of waste materials generated require different methods of disposal.

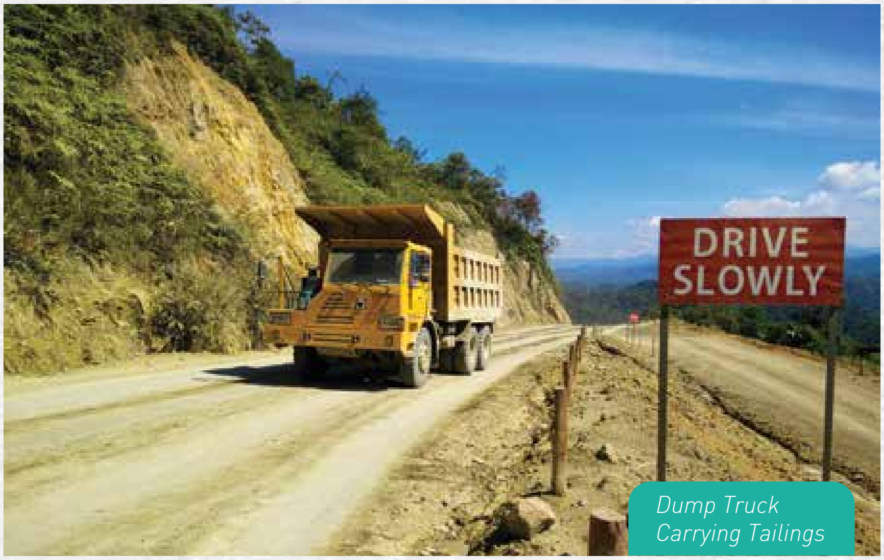
Our mining activities involve the extraction, processing and refining of tin ores. These actions generate by-products such as tailings, overburden and wastewater effluent, among others. As such, proper management of these waste materials is important to minimise the associated risks to the localities and enforces our commitment to operate in a sustainable manner.

We perform drilling and blasting on the tin ore and overburden as well as ripping and dozing of certain ore materials, as part of our mining process. The ore materials will then be transported out of the mine pit to the processing plants using hydraulic excavators and dump trucks. Meanwhile, the overburden is deposited at the Southern Waste Dump located at the foothill of Gunung Paku.

We generated a total of 1.4 million $m^3$ of loose volume of tailings from our mining activities this year, as compared to 1.5 million $m^3$ in 2018, mainly due to a reduction in production of tin concentrates. Overburden volume deposited at the Southern Waste Dump amounted to 1.0 million $m^3$ in 2019.

As we expand our mining operations, we are planning to further increase the retaining capacity of our existing tailing ponds. At the moment, a geotechnical design analysis is currently underway with expected completion in 2020.

We are also in the midst of constructing an additional dumping area for our waste materials at the two parcels of leased land adjacent to the existing mining leases, measuring 100 acres and 323 acres, respectively. To ensure the environmental safety of the future waste dump area, we have engaged consultants to undertake a geotechnical study on waste dump design and drainage.



*Dump Truck Carrying Tailings*

### *Scheduled Waste Management*

All scheduled waste materials generated from our operations are handled appropriately in terms of generation, storage, transportation and treatment, in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the Environmental Quality Act 1974. The waste materials are collected by a licensed waste contractor who has been authorised by the DOE. All works carried out are monitored by a Competent Person in Scheduled Waste Management ("CePSWaM") registered under DOE.

The types of scheduled waste materials generated by our mining operations are presented below, as prescribed in the Environmental Quality (Scheduled Wastes) Regulations 2005:

- SW102 - Waste of lead acid batteries in whole or crushed form
- SW305 - Spent lubricating oil
- SW306 - Spent hydraulic oil
- SW409 - Disposed contaminated containers
- SW410 - Contaminated filters

To date, RHT has complied with all regulations and procedures prescribed in the law, in this regard.

## Energy

Our mining and smelting activities require a substantial amount of energy. We endeavour to meet the energy needs of our operations while maximising energy efficiency and minimising the subsequent greenhouse gas emissions.

To this end, we have employed an Efficient Electrical Energy Management Policy across the Group. The Policy underlines our commitment to minimise the Group's energy usage, when and where possible, as we strive to enhance productivity and cost-effectiveness with reduced energy wastage.

# SUSTAINABILITY STATEMENT 2019

***Effective Monitoring***

Energy used at our operations is primarily in the form of electricity powered by the national grid as well as renewable sources such as solar and hydro, in addition to fuels such as diesel and natural gas. Energy is consumed mainly for on-site power generation, our tin smelting and mining processes, as well as for transportation purposes.

At our mine in Klian Intan, we monitor energy consumption by tracking the daily energy usage with an Energy Meter and logging the operation hours of the pumping station, while our Butterworth smelter is equipped with an energy consumption monitoring system for the main substation, high-load equipment and switch house.

The data collected will then be documented and reviewed by authorised personnel in the Electrical Maintenance Department for verification and approval of the records. These records of the Group's energy consumption and intensity will also be submitted to Malaysia's Energy Commission as required by the Electricity Law and Regulations.

In 2019, the Group's total electricity consumption increased marginally to 34.0 GWh from 33.2 GWh in 2018, as we continued to run both smelting facilities at Butterworth and Pulau Indah in parallel.

Solar PV Panels at Pulau Indah Plant

**34.0 GWh**
energy consumed

In tandem with the increase in energy consumption, energy intensity in 2019 also increased by 11%.

***Enhancing Energy Efficiency***

Improving the Group's energy efficiency remains a top priority as it is an effective way to reduce costs and emissions. In this regard, we are continuously reviewing our practices and processes of our operations.

At our Butterworth plant, we continued our energy efficiency initiatives by upgrading to LED lighting. Further optimisation of energy is expected once the Pulau Indah smelter is fully operational with the usage of the cutting-edge TSL furnace, which smelts tin in a single-stage process, as opposed to the current multi-stage procedure at our Butterworth plant.

At our mine, our cost savings measures include conducting our water pumping activities at the mine during off-peak hours to take advantage of the lower electricity tariffs. A dedicated Registered Energy Manager is also stationed at our mines to advise on energy-related matters. The Energy Manager is also responsible to submit a report to the Energy Commission on a monthly basis for monitoring.

Meanwhile, we endeavour to utilise renewable sources, whenever possible, to reduce our reliance on fossil fuel to generate power.

**15.0%**
energy consumed is generated by renewable sources

At Pulau Indah, we have installed solar photovoltaic panels on the roof tops of several structures at the facility, including the smelting plant, administrative building and car park. With a combined installed capacity of 1.26 MWp, we expect to reduce carbon discharge by approximately 1,121 tonnes per year. At the same time, we are also working on thermal energy to generate power at the Pulau Indah facility by installing a waste heat recovery system. These initiatives are projected to result in further cost and electricity savings with an increased usage of renewable sources in the energy mix.

At Klian Intan, our mining activities are also powered by a 1.0 MW mini hydro power station, utilising water to generate power. It is noteworthy to mention that we are one of the few mining companies which utilises water for electricity. This additional energy source represents a more viable alternative to the diesel-driven generation sets, while reducing our dependency on the national grid for power. In 2019, 15.0% of the Group's total energy consumption was powered by renewable sources.

## SOCIAL IMPACT

### Our People

We place great emphasis on our most important resource – our people. We understand that our success is built upon a safe, skilled and motivated workforce which carries out its work in accordance with the Group's standards and policies. It is our duty as a responsible and fair employer to provide a conducive working environment that foster personal and collective growth.

MSC has a strong commitment to our employees as we endeavour to strengthen the culture of respect and transparency within the Group. This is reflected in the Group's Labour Policy, which defines the labour and human rights standards to which all our employees are entitled to.

**HUMAN DIGNITY AND EQUALITY**

- To commit to protecting employees' rights to have their dignity respected
- To ensure working conditions will not infringe on employees' dignity
- To condemn harassment in any form, and an act of harassment is a non-compliance against our Code of Conduct
- Freedom and security of the employee will be respected by the Group

**NON-DISCRIMINATION**

- To condemn unfair discrimination on the basis of race, gender, sec, marital status, ethnic or social origin, sexual orientation, age, religion and political opinion
- To develop and provide training for employees enabling them to perform in line with the Group's values and principles

**FAIR LABOUR PRACTICES**

- To condemn the use of forced labour in employment
- To adhere to recognised practices and principles regarding the employment of young persons imposed by local legislation
- No workers of age under 16 shall be employed
- Termination of employees' services will conform to requirements of lawfulness and fairness

**MSC Group's Labour Policy**

# SUSTAINABILITY STATEMENT 2019

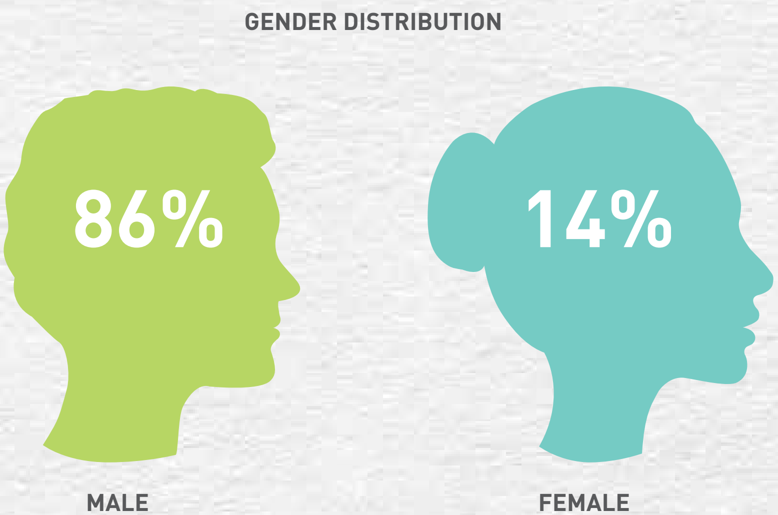
Fair employment practices are adopted Groupwide as we conform to labour laws which respect and protect human rights. These rights are communicated in the Group's Code of Ethics and the Employee Handbook.

***Diversity and Inclusion***

At MSC, we believe that diversity within the workforce enhances our competitive position. We are committed to provide equal opportunities across the Group as we believe that our people should be treated and evaluated based only on work performance.

In 2019, MSC has a total workforce of 1,269 employees, as compared to 1,101 employees last year as we intensified our hiring activities due to the ongoing relocation of our smelting operations from Butterworth to the new Pulau Indah facility.

The Group's workforce composition demonstrates our efforts in promoting diversity and equality in the workplace.

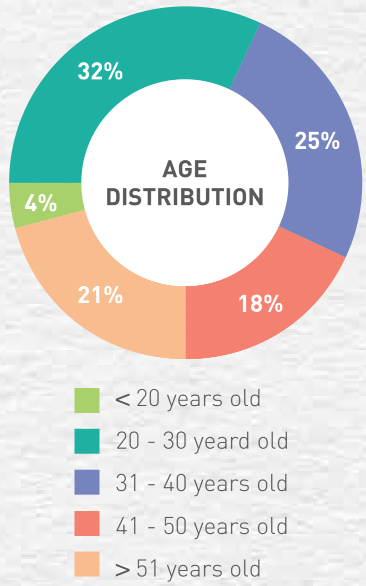


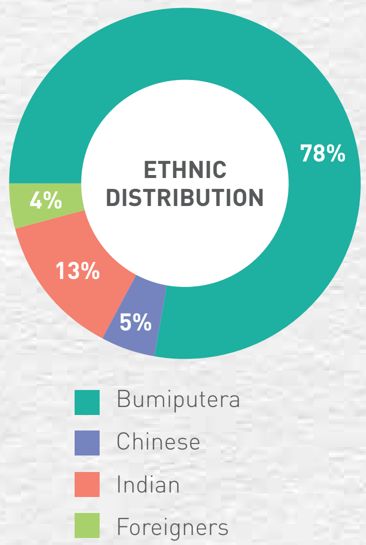

Mining and smelting have traditionally been a male-dominated industry. Due to this, we have encountered challenges in attracting and retaining female talent. In 2019, 14% of our workforce is made up of female employees. We aim to increase this number going forward as we proactively work towards creating more opportunities for women in the workplace as well as policies that accommodate the needs of our female employees.

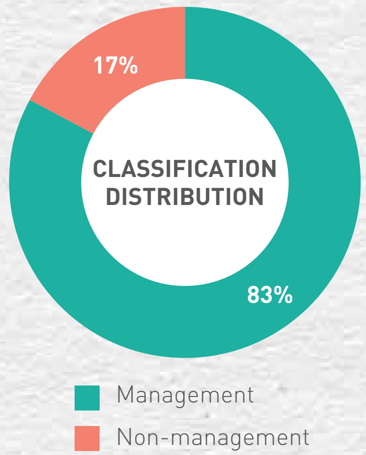
As an integrated tin player, 83% of our workforce are non-managerial employees comprising of workers operating the mines and smelter.

We also strive to strike a balance in our workforce as we infuse younger talent into the Group. In 2019, over 60% of our workforce are below 40 years old.

Following the impending relocation of MSC's smelting operations to Pulau Indah from Butterworth, we are undertaking an internal restructuring exercise as we realign job scopes within the Group. In February 2020, we have offered a Voluntary Separation Scheme to approximately 550 employees working at the Butterworth smelter.



***Career Development Opportunities***

Training and development of our employees is critical for the sustainability and growth of the Group. We firmly believe in investing in our talent and creating the right environment for knowledge and skills development.

In 2019, we invested approximately RM225,000 in learning and development initiatives, which were implemented across the Group, clocking approximately 22,500 of training hours. The reduction in training hours in 2019 was mainly due to lower training sessions conducted as we anticipate the transition to the Pulau Indah smelter.

**RM 225,000**
invested in staff development

We averaged 18 hours of training per employee in 2019, with sessions ranging from technical training to building soft skills and leadership competencies. Our programmes are tailored accordingly to equip our employees with the relevant skillsets to meet specific job requirements, as they prepare to take on more responsibilities within the Group.

Ensuring we are properly rewarding and recognising high-performance is important to us. Employee performance reviews are conducted annually at the supervisory, management and executive level. Following the assessment, top talents will be rewarded in monetary terms and awarded promotions for further career advancement. We continue to benchmark our rewards and remuneration packages to the market to ensure fair compensation for our employees.

At the same time, employees also enjoy on-the-job benefits such as annual leaves, health and medical coverage, statutory contributions to retirement funds as well as financial and housing assistance, to name a few.

***Employees' Wellbeing***

Apart from providing a safe working environment, we endeavour to instil a spirit of camaraderie through recreational and leisure activities among our employees.

In 2019, we continued our employee engagement initiatives such as hosting Annual Dinner and sports tournaments, to serve as a platform for social interaction and foster closer relationships among employees.

*Training Session*

*Sepak Takraw Tournament*

## SUSTAINABILITY STATEMENT 2019

Annual Dinner


Football League

***Freedom of Association and Collective Bargaining***

We support the right to freedom of association and collective bargaining at all our operations. Our approach focuses on employee representation based on transparency and constructive dialogue with the unions. We engage with union leaders on various matters such as labour laws, negotiation of terms and conditions of employment, policies and procedures, to name a few.

As at end-2019, 50% of our mining employees 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. This figure represents our non-managerial employees working at the smelter and mine sites, who are covered under collective bargaining agreements.

A Grievance System is also implemented for employees to inform on any grievances:

**Step 1**

Employee with grievance to refer matter to immediate superior officer.

**Step 2**

Should the matter being reported is not resolved within 3 working days, the matter will be referred to the Head of Department.

**Step 3**

Should the matter being reported is not resolved for a further 5 working days, the employee is allowed to escalate the matter to the Senior Human Resource Manager.

**Step 4**

Within the next 10 working days, the matter can be referred to the local office of Ministry of Human Resources for concilation, if not resolved yet.

**Step 5**

The matter may be referred to arbitration in accordance with Section 26 of the Industrial Relations Act 1967, if the matter remains unsolved.

**Grievance System**

### Occupational Safety and Health

At MSC, we endeavour to create a culture of safety and health at the workplace and our operating sites. Mining and smelting activities are associated with a variety of safety and health hazards, of which if not managed properly, may have significant consequences to our employees and the business as a whole. As such, the safety and health of our workforce is our highest priority across the Group.

***Occupational Safety and Health Policy***

We have developed an Occupational Safety and Health ("OSH") Policy, which ensures our compliance with relevant health and safety laws and regulations, including the Occupational Safety and Health Act 1994. It also acts as a guidance in advancing the standards of our OSH systems. Through our OSH Policy, we have defined our commitment to mitigate safety and health risks in our operations:

- To provide safe working conditions and teach safe work practices;
- To provide control measures for hazards in the workplace;
- To promote the concept of safety and health within the Group and develop a sense of awareness amongst employees;
- To maintain local and internal standards in safety and health; and
- To ultimately eliminate all incidents that could lead to injury and occupational illnesses.

We implement our OSH Policy across the Group through our dedicated OSH Committees at our corporate office, smelter and mines. They are responsible for overseeing all safety-related matters and committed to reviewing the OSH Policy on a periodical basis for effectiveness and suitability.

At the moment, the OSH Committee is made up of 59 key members across our operations.

There is also an Emergency Response Team ("ERT") at our operating sites who are trained and equipped to respond to emergencies. Currently, the ERT comprise of 30 employees at our smelting facility and 40 at our mines.

***Occupational Safety and Health Initiatives***

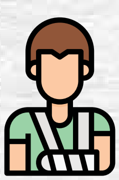
Going beyond regulatory requirements, our safety measures also include operational training and inspection, as well as knowledge sharing sessions. Employees undergo training on a regular basis, centred on raising our workforce's awareness and competency with the aim of enhancing our emergency preparedness.

Safety Meeting

In 2019, we increased our safety-related training programmes to 29 from 24 in 2018. The training sessions conducted revolved on topics such as road traffic safety and chemical handling and spillage control, among others.

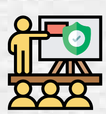
The Group's safety performance is also monitored by the OSH Committee and evaluated on a periodical basis to ensure we are operating at an optimal level. In 2019, we experienced a total of Lost Time Injuries of 33 cases, a decline from 67 in the previous year. This translated to a Lost Time Injury Frequency Rate ("LTIFR") of 7.8, as compared to 16.1 incidences per million manhours worked in 2018.

This improvement can be attributed to our continuous efforts Groupwide as shown in the diagram below.



**52% reduction**

In Lost Time injury Frequency Rate

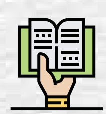


Conduct safety briefings to visitors to educate on potential hazards

Equip employees with proper Personal Protection Equipment ("PPE")

Develop processes to analyse risks and effectiveness of controls

Develop an emergency response plan



Develop procedures to promote safety practices within operating sites

OSH Committee to conduct regular health and safety audits

# SUSTAINABILITY STATEMENT 2019

We believe that all occupational injuries and work-related illnesses are preventable. Hence, our target at MSC Group is to prevent incidences as well as disruption at the workplace. Nonetheless, we regret to inform that there was one road fatality in 2019, where one of our plant supervisors on a motorcycle was fatally injured in an accident with a lorry carrying tin ore material at our RHT mine.

Following this incident, we performed thorough investigation and implemented additional safeguards to strengthen our OSH initiatives and eliminate repeat incidents. These include the following efforts, but not limited to:

- Elected a certified Occupational Safety and Health Officer by the Department of Occupational Safety and Health ("DOSH") to oversee all OSH matters at the mines;
- Enhanced in-house training programmes for motorcyclists and truck drivers;
- Deployed new technologies such as a GPS in trucks, for real-time tracking and monitoring of the driving speed at the mines;
- The inception of a Safety and Health Committee for Contractors with monthly meetings;
- Conduct "Contractor Mega Toolbox Meeting" at the start of every month for contractors who handle heavy machineries; and
- Increased the number of dump trucks to carry tailings, which have bigger capacity and slower speed as compared to smaller lorries.

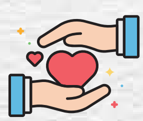
Through these initiatives, we intend to further equip our employees with the proper safety tools and training for continual safety awareness to prepare them for any potential occurrences.

## Empowering Communities

As one of the leading tin mining and smelting groups, we recognise our duty as a responsible corporate citizen. We aim to achieve sustained growth by creating shared value for our stakeholders, including the nearby communities of where we operate.

Safety Briefing

Dump Truck



**RM 400,000**
Investment in
Community Outreach Initiatives

During the year, we continued to reach out by participating and contributing in various initiatives focused on job creation, community outreach and charitable donations. Approximately RM400,000 was contributed in 2019 to local authorities as well as welfare establishments and communities.

Our community engagement efforts are aimed at adding value in the forms of skills development and financial contribution, among others.

### *Spurring Socio-Economic Growth*

We recognise the role our operations serve as catalyst for social and economic development in our local communities. Hence, our operations support a variety of initiatives which spur socio-economic growth of the communities.

We are aware that our procurement processes have a major impact on the surrounding communities of where we operate. In 2019, the Group engaged with approximately 60 local business partners to procure goods and services, representing 18% of our total business partners. Our goal is to increase local procurement, where feasible, as it stimulates the local economy and elevates the community's socio-economic status.

School Visit to Tin Mine

Apart from that, we also encourage the hiring of locals workers at our operations, where practical, to ensure the economic benefit of employment remains in the locality. At our Butterworth smelter, over 89% of workers comprise of locals from the nearby towns, such as Butterworth, Penaga, Kulim, Bukit Mertajam and Kepala Batas. For our mining operations in Klian Intan, local employees represent 83% of our workforce, originating from Klian Intan, Baling, Pengkalan Hulu and Gerik. Collectively, local employees make up 79% of the Group's total workforce.

### *Educational Initiatives*

We are aware that education is fundamental to sustainable development. In 2019, we invested approximately RM91,000 on educational initiatives. We have yet again opened our doors and offered industrial training opportunities to students and undergraduates from various local educational institutions. Our goal is to equip our youth with the proper tools while developing human resource capacity for our specialised industry.

Additionally, we also provide financial assistance to deserving employees and their dependents in pursuit of further education. We have introduced an Educational Award Scheme to reward our employees' children based on merit for the national examinations. At the same time, we also organise educational visits for primary and secondary school students to the RHT mine to expose them to the workings of our industry.

### *Corporate Social Responsibility*

We encourage volunteerism among our employees. During the year, our employees continued to demonstrate strong interest in various Corporate Social Responsibility ("CSR") related events for the nearby communities they work with.

Following the fire tragedy that hit Sungai Lembing, Pahang in October 2019, we had extended our support to the affected families through a donation check worth RM50,000, to assist them in rebuilding their homes and livelihoods.

At MSC's Butterworth facility, a Blood Donation Drive was organised during the year. Approximately 63 pints of blood was collected during the one-day drive, which received encouraging response from employees.


Donation to Fire Victims of Sungai Lembing

Blood Donation Drive at Butterworth

# RESPONSIBLE MINERALS SOURCING (RMS) AUDIT REPORT 2019

Malaysia Smelting Corporation Berhad ("MSC"), a public listed company in Malaysia and Singapore – is a tin producer with mining and smelting operations stretching back to early 1900s. MSC is currently the third largest supplier of tin metal in the world. 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 is taking proactive measures to ensuring and promoting responsible, sustainable and conflict free practices in its mineral sourcing practices and supply chain.

MSC's engagement with iTSCi and RMAP promotes regulatory clarity in sourcing areas which leads to greater disclosure and transparency of responsible and sustainable minerals sourcing and supply chain, not only in Conflict-Affected and High-Risk Areas (CAHRAs) but throughout the globe. The successful implementation of the programs and the involvement of more responsible stakeholders are vital for the socio-economic growth of the communities of the sourcing countries. MSC will continue to work with all parties who share its vision on a responsible and sustainable minerals sourcing program by engaging, supporting and educating all actors in the supply chain to be responsible in sourcing and processing the minerals.

A local miner in Central Africa draining water from a tin ore bag

MSC personnel entering one of the tin mine tunnels in Vietnam

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. MSC's personnel conducted on-site due diligence at CAHRA countries to ensure sourcing processes from these countries are conflict free. These site visits cum due diligence process are very important to MSC to ensure that all suppliers are adhering to the latest RMAP requirements in sourcing tin ore prior to shipping to MSC.

MSC personnel visited mining sites as part of the due diligence process and touched base with major tin ore suppliers especially from the CAHRAs ensuring that they are sourcing minerals responsibly and adhering to the latest RMAP's requirements.

MSC personnel also visited the Alphamine Bisie tin mine project in North Kivu, DRC – the first large scale mining operation in the eastern DRC which is also one of the largest and most significant tin deposits in the world.

# RESPONSIBLE MINERALS SOURCING (RMS) AUDIT REPORT 2019

MSC maintains a Responsible Minerals Sourcing (RMS) 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.

*MSC personnel inside the mining tunnel at the Alphamin mine*

*Trucks were ready to deliver tin ore to Port of Loading*

*RMAP audit in 2019*

The RMAP audit was conducted in MSC from June 19th – 21st, 2019 and MSC's next audit has been scheduled for March 2020. MSC is committed to sustainability and social responsibilities by sourcing from conflict free sources and exercise due diligence in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from all over the world especially CAHRAs. MSC will continue to support RMAP and iTSCi programs to reach out to all stakeholders and actors in mineral sourcing activities to promote greater transparency and due diligence in tin supply chain. 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 2019. The Company's CG Report is available on the Company's website, 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.

**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.

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 (cont'd)

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 29 to 46 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, a member of Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA"), 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 8 to 10 of this Annual Report.

**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 8 to 10 and 11 to 13 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.

# 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 five times. The details of the attendance of the Board members are as follows:

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

**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 2019:

(i) Audit & Risk Management Committee

| Directors | No. of meetings attended |
|---|---|
| 1. Dato' Robert Teo Keng Tuan | 5/5 |
| 2. Ms. Chew Gek Khim | 5/5 |
| 3. Mr. Chia Chee Ming, Timothy | 5/5 |

(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 existing 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, forum, seminars, workshops and briefings.

# 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/Seminars/ Workshops Attended | Date |
|---|---|---|
| 1. Ms. Chew Gek Khim | 1. Pyramid Breakfast Talk by Gen (Ret) Keith Alexander | 22 Jan 2019 |
| | 2. Lecture by Prof Eswar Prasad | 27 Feb 2019 |
| | 3. Singapore Sustainability Symposium | 8 May 2019 |
| | 4. SGX Invitation to Global Iron Ore Industry Leaders Roundtable 2019 | 9 May 2019 |
| | 5. SID Board Chairmen's Conversation | 27 Jun 2019 |
| | 6. Women Entrepreneur Summit 2019 Panel Discussion | 11 Jul 2019 |
| | 7. Honour CEO Roundtable 2019 "Honour is Good Business" | 24 Jul 2019 |
| | 8. 2019 MAS Lecture | 19 Sep 2019 |
| | 9. Milken Institute Chairman's Circle | 20 Sep 2019 |
| | 10. Henan Pilot Free Trade Zone Seminar | 24 Sep 2019 |
| | 11. Honour CEO Forum | 26 Sep 2019 |
| | 12. Lunch talk on Multi-Generational Workforce | 1 Oct 2019 |
| | 13. Compass Family Conference | 9 – 11 Oct 2019 |
| | 14. Invitation to speak to participants of LKY-Senior Fellowship in Public Services | 30 Oct 2019 |
| | 15. Talk on New Corporate Liability – Malaysian Anti-Corruption Commission (Amendment) Act 2018 | 8 Nov 2019 |
| 2. Mr. Chia Chee Ming, Timothy | 1. SMU Visionary Series: Inaugural Lecture by Charles Chen Yidan | 31 May 2019 |
| | 2. Lunchtime Lecture Series: From First Industrial Revolution to Fourth: Lessons and Limits by Associate Professor Hallam Stevens | 4 Jul 2019 |
| | 3. Temasek-Singularity University Forum 2019 | 4 – 6 Nov 2019 |
| | 4. Talk on New Corporate Liability – Malaysian Anti-Corruption Commission (Amendment) Act 2018 | 8 Nov 2019 |
| 3. Dato' Robert Teo Keng Tuan | 1. ADR and 21st Century Diplomacy: An Introduction and Networking Event for Asia's Diplomatic Corps | 24 Jan 2019 |
| | 2. An Overview of the Property Market | 27 Feb 2019 |
| | 3. Revisiting the Misconception of Board Remuneration | 13 Mar 2019 |
| | 4. Case Study Workshop for Independent Directors | 18 Apr 2019 |
| | 5. 2019 RSM Asia Pacific Regional Conference – Thailand Implementing the New Global Audit Methodology (RSM ORB) | 8 – 10 May 2019 |
| | 6. Malaysia SME Business Summit: Transform, Innovate & Elevate | 25 Jun 2019 |
| | 7. Cyber Security in the Boardroom: Accelerating from Acceptance to Action | 27 Jun 2019 |
| | 8. National Tax Conference 2019 | 5 & 6 Aug 2019 |
| | 9. The Convergence of Digitisation & Sustainability | 23 Aug 2019 |
| | 10. RSM Global Audit Methodology Express Training 2019 | 14 Oct 2019 |
| | 11. Creating Cyber Security Awareness | 17 & 18 Oct 2019 |
| | 12. Gearing for an IPO: Strategies to Manage Legal & Tax Concerns | 25 Oct 2019 |

**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/Seminars/ Workshops Attended | Date |
|---|---|---|
| 3. Dato' Robert Teo Keng Tuan (cont'd) | 13. RSM Tax Seminar 2020 Budget | 31 Oct 2019 |
| | 14. Audit Oversight Board: Conversation with Audit Committees | 8 Nov 2019 |
| | 15. Big Data Analytics for Accountants | 4 Dec 2019 |
| | 16. 2020 Budget Seminar | 5 Dec 2019 |
| 4. Mr. John Mathew A/L Mathai | 1. Practice Group Litigation Case Discussion – Hasnan bin Ahmad Mokhtar v. Top Light Medical Suppliers Sdn. Bhd. [2018] MLJU 2009 | 5 Apr 2019 |
| | 2. Practice Group Litigation Case Discussion – Rozilawati Hj Basir v. Nationwide Express Holdings Bhd & Ors [2019] 8 MLJ 8 | 19 Apr 2019 |
| | 3. Practice Group Litigation Case Discussion – Kingtime International Ltd v. Petrofac E&C Sdn. Bhd. [2018] MLJU 1840 | 10 May 2019 |
| | 4. Practice Group Litigation Case Discussion – Public Bank v. New Ace Digital Print Sdn. Bhd. & Anor Appeal No. 02(f)-133-11/2017 | 17 May 2019 |
| | 5. Practice Group Litigation Case Discussion – Dr. Kok Chong Seng & Anor v. Soo Cheng Lin and Another Appeal [2018] 1 MLJ 685 | 31 May 2019 |
| | 6. Practice Group Litigation Case Discussion – Ong Siew Hwo v. UMW Toyota Motor Sdn. Bhd. [2018] 8 CLJ | 28 Jun 2019 |
| | 7. Practice Group Litigation Case Discussion – Nautical Supreme Sdn. Bhd. v. Jaya Sudhir Jayaram [2019] 3 CLJ 628 | 12 Jul 2019 |
| | 8. Practice Group Litigation Case Discussion – Rohasassets Sdn Bhd v. Weatherford (M) Sdn. Bhd. & Anor (Unreported) | 26 Jul 2019 |
| | 9. Practice Group Litigation Case Discussion – Martego Sdn. Bhd. v. Arkitek Meor & Chiew Sdn. Bhd. [2019] 1 LNS 1067 | 16 Aug 2019 |
| | 10. Practice Group Litigation Case Discussion – Awangsa Bina Sdn. Bhd. v. Mayland Avenue Sdn Bhd [2019] 1 LNS 590 | 30 Aug 2019 |
| | 11. Internal CLO Discussion – Issues on Service Tax Imported Services | 6 Sep 2019 |
| | 12. Practice Group Litigation Case Discussion – Yui Chin Song & Ors v. Lee Ming Chai & Ors [2019] 7 CLJ 740 | 17 Oct 2019 |
| | 13. Talk on New Corporate Liabilitiy – Malaysian Anti-Corruption Commission (Amendment) Act 2018 | 8 Nov 2019 |
| | 14. Practice Group Litigation Case Discussion – Ng Chin Tai v. Ananda Kumar Krishnan 1 LNS 1565 – Ashwini Balan | 28 Nov 2019 |
| | 15. Practice Group Litigation Weekly Case Discussion – OSK Trustees Bhd v. Metroplex Holdings Sdn. Bhd. [2019] 10 CLJ 1 | 5 Dec 2019 |

# 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/Seminars/ Workshops Attended | Date |
|---|---|---|
| 5. Datuk Kamaruddin Bin Taib | 1. F&N Director's Induction - Factory Visit<br>i. Pulau Indah factory<br>ii. Shah Alam factory | 17 Jan 2019 |
| | 2. F&N Director's Induction | 18 Jan 2019 |
| | 3. Session with Group Head of Wholesale Credit and Market Risk | 12 Mar 2019 |
| | 4. Deep Dive on Cyber Security | 9 Apr 2019 |
| | 5. Board Educational Series - Post Implementation Review of Agency Balanced Scorecard Under the Life Framework | 29 May 2019 |
| | 6. Financial Industry Conference 2019 | 17 & 18 Jun 2019 |
| | 7. MasterClass on CyberSecurity | 18 Jun 2019 |
| | 8. Clouds Technology | 21 Jun 2019 |
| | 9. BlockChain | 24 Jun 2019 |
| | 10. IT Risk Management | 4 Jul 2019 |
| | 11. Bond Market Conference | 15 Jul 2019 |
| | 12. MFRS 17 - Understanding it's Impact & Consequences | 29 Jul 2019 |
| | 13. Value Based Intermediation | 1 Aug 2019 |
| | 14. Amendment to MACC Act | 22 Aug 2019 |
| | 15. What is MFRS 17 & how it Affects the Financial Disclosures | 22 Aug 2019 |
| | 16. Cloud Architecture Mechanisms on IFRS | 22 Aug 2019 |
| | 17. Digital Strategy for Leaders | 3 & 4 Sep 2019 |
| | 18. Asia CyberSecurity Training | 10 Sep 2019 |
| | 19. Corporate Governance & The Malaysian Anti-Corruption Commission | 12 Sep 2019 |
| | 20. Introduction to Blue Ocean Shift | 12 Sep 2019 |
| | 21. Emerging AI Trends that Shape Future Strategies | 12 Sep 2019 |
| | 22. Innovation in the Financial Industry | 19 Sep 2019 |
| | 23. BNM Regional Conference on Climate Change | 25 & 26 Sep 2019 |
| | 24. Cyber Range Exercise 2019 | 8 Oct 2019 |
| | 25. Implementation of MFRS 17 Insurance Contracts (Batch 2) | 17 Oct 2019 |
| | 26. Talk on New Corporate Liability - Malaysian Anti-Corruption Commission (Amendment) Act 2018 | 8 Nov 2019 |
| | 27. Singapore Fintech Festival | 11 – 13 Nov 2019 |
| | 28. Non-Executive Global Mandatory Training 2019 (Trimester 1)<br>• Managing Risk at HSBC<br>• Health, Safety and Wellbeing<br>• Data Privacy and Cyber Security | 18 Nov 2019 |
| | 29. i) IT Strategies & CyberSecurity Roadmap<br>ii) Implementation of MFRS 17 Insurance Contracts (Batch 2)<br>iii) Emerging Trend in Money Laundering & Terrorism Financing : e-Wallet | 19 Nov 2019 |
| | 30. Non-Executive Global Mandatory Training 2019 Fighting Financial Crime (Trimester 2)<br>• AML and Sanctions<br>• AB&C | 30 Dec 2019 |

**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/Seminars/ Workshops Attended | Date |
|---|---|---|
| 6. Dato' Dr. Ir. Patrick Yong Mian Thong | 1. Asia Tin Week in Xi An, China<br>2. London Tin Week<br>3. Talk on New Corporate Liability – Malaysian Anti-Corruption Commission (Amendment) Act 2018 | 2 – 6 Sep 2019<br>26 Oct –1 Nov 2019<br>8 Nov 2019 |

## 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, for the financial year ended 31 December 2019 are disclosed as follows:

| Directors | Fees (RM'000) | Salaries (RM'000) | Allowance (RM'000) | Benefits in kind (RM'000) | Other emoluments (RM'000) | Total (RM'000) |
|---|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | | |
| Ms. Chew Gek Khim | 102 | – | 24 | – | – | 126 |
| Mr. Chia Chee Ming, Timothy | 90.5 | – | 20 | – | – | 110.5 |
| Dato' Robert Teo Keng Tuan | 86 | – | 22 | – | – | 108 |
| Mr. John Mathew A/L Mathai | 59 | – | 14 | – | – | 73 |
| Datuk Kamaruddin Bin Taib | 50 | – | 12 | – | – | 62 |
| Total | 387.5 | | 92 | | | 479.5 |
| **Executive Director** | | | | | | |
| Dato' Dr. Ir. Patrick Yong Mian Thong | – | 1,104 | – | 31.9 | 1,369 | 2,504.9 |
| Total | – | 1,104 | – | 31.9 | 1,369 | 2,504.9 |

# 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 Top Five Key Personnel |
|---|---|
| 750,000 – 800,000 | 1 |
| 650,000 – 700,000 | 1 |
| 600,000 – 650,000 | 1 |
| 500,000 – 550,000 | 1 |
| 450,000 – 500,000 | 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 62 to 64 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 2019.

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.

## 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 NGL Tricor Governance Sdn Bhd as the service provider for Enterprise Risk Management Update and Internal Control Review for the Group for financial year 2019.

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 65 to 68 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 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 19 June 2020.

# 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 2019.

**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 2019 are as follows:

| | The Group RM | The Company RM |
|---|---|---|
| Audit Fees | 682,000 | 510,000 |
| Non-Audit Fees | 220,000 | 220,000 |

**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 2019.

**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.

**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 five (5) 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<br>Chairman, Independent Non-Executive Director | 5/5 |
| Ms. Chew Gek Khim<br>Member, Non-Independent Non-Executive Director | 5/5 |
| Mr. Chia Chee Ming, Timothy<br>Member, Senior Independent Director | 5/5 |

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 ("GCFO") 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 55 to 58 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 RM220,000 were paid to the External Auditors during the financial year for the provision of services in respect of the review of the Company's Statement on Risk Management and Internal Control and other audit 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, GCFO 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 NGL Tricor Governance Sdn. Bhd. (External Consultant) and the internal audit function. Significant risk issues were summarised and communicated to the Board for consideration and resolution;

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

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

**Internal Audit Function**

The Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities with support from NGL Tricor Governance Sdn. Bhd. (External Consultant-Tricor). 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 act ion 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 2019 was RM921,000.00.

Further details of the activities of the Internal Audit function are set out in the Statement on Risk Management and Internal Control on pages 65 to 68 of this Annual Report.

This Report is made in accordance with the resolution of the Board of Directors dated 19 June 2020.

# 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 MSC and its subsidiaries ("Group") and is pleased to provide the following Statement on Risk Management and Internal Control ("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 2019.

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" ("Guidelines"), a publication endorsed by Bursa Malaysia pursuant to Paragraph 15.26(b) of the it's Main Market Listing Requirements.

**Board's Responsibility**

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

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

In evaluating the adequacy of the Group's system of risk management and internal control, the Board is assisted by the Audit & 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.

**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 utilization of internal audit procedures, as discussed in further detail below.

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

**Internal Audit Function**

The Group has in place an independent in-house Internal Audit team. During the financial year, the Board appointed an independent professional services firm, NGL Tricor 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 62 to 64 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) Code of Ethics and Whistleblowing Policy and Procedures

> The Board is responsible for setting the ethical tone of the Group and engendering a healthy corporate culture. A Code of Ethics has been put in place to set out the standards of ethics and conduct expected from its Directors and employees to enhance the standards of corporate governance and corporate behaviour. The Code of Ethics covers all aspects of the Group's business which include, amongst others, confidentiality of information, dealings in securities, conflict of interest, gifts, bribes and dishonest conducts.

> The Board has formalised a set of Whistleblowing Policy and Procedures to provide avenues for stakeholders of the Group to raise legitimate concerns relating to potential breaches of legislation malpractices in an objective manner without fear of reprisal.

(b) Lines of Responsibility and Delegation of Authority

> A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability; and

> The establishment of limits of authority through Expenditure Controls and Delegation of Authority Limits Policy for both the Company and its subsidiaries. In designing and implementing these limits of authority structures and systems, the Group is guided by the principle that no one individual should have unfettered powers.

(c) Written Policies and Procedures

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

> The establishment of 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 GCFO provides the Board with quarterly financial reports, which includes key financial indicators;

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

> 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.

**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 GCFO 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 2019 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 19 June 2020.

# 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 2019 and of their financial performance and cash flows for the financial year ended 31 December 2019.

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 19 June 2020.

# FINANCIAL STATEMENTS

# 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 2019.

**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 21 to the financial statements.

**Results**

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit net of tax | **30,685** | **46,564** |
| Profit attributable to: | | |
| Owners of the Company | 30,686 | 46,564 |
| Non-controlling interests | (1) | - |
| | **30,685** | **46,564** |

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 2018 was as follows:

| | RM'000 |
|---|---|
| First and final single-tier dividend of RM0.02 per share on 400,000,000 ordinary shares, declared on 24 May 2019 and paid on 28 June 2019 | 8,000 |

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 RM0.02 per share amounting to RM8,000,000 for the financial year ended 31 December 2019.

The financial statements for the financial year ended 31 December 2019 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 2020.

**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 | |
| Dato' Dr. Ir. Yong Mian Thong | |
| Datuk Kamaruddin Bin Taib | |

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

In accordance with Clause 102 of the Constitution of the Company, Ms. Chew Gek Khim and Mr. John Mathew A/L Mathai 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 | |
| Mr. Madzlan Bin Zam | |
| Dato' Abdul Aziz Bin Mohamed | |
| (Alternate: Dato' Hj Mohd Abdah Bin Mohd Alif) | |
| Mr. Aldric Tan Jee Wei | |
| Mr. Mohd Najib Bin Jaafar | |
| En. Zihanz Alymann Bin Kamarul Zaman | (Appointed on 13 March 2019) |
| Mr. Chia Chee Ming, Timothy | (Resigned on 13 March 2019) |
| Dato' Robert Teo Keng Tuan | (Resigned on 13 March 2019) |

# 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:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Fees | 501 | 480 |
| Insurance effected to indemnify directors | 81 | 81 |
| | 582 | 561 |

**Indemnities of directors or officers**

During the financial year, the directors and officers of the Group and of the Company are covered under the Directors & Officers Management Liability Insurance ("D&O Insurance") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, the directors and officers of the Group and of the Company subject to the terms of the D&O Insurance. The total insured limit of D&O Insurance effected for the directors and officers of the Group and of the Company was RM40 million in any one claim and in the aggregate for all claims (including deference costs). Expenses incurred on indemnity given or insurance effected for any director and officer of the Group and of the Company during the financial year amounted to RM81,000.

**Directors' interests**

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

| | ← Number of ordinary shares → | | | |
|---|---|---|---|---|
| | **1 January 2019** | **Bought** | **Sold** | **31 December 2019** |
| **Ultimate holding company** | | | | |
| **Tan Chin Tuan Pte. Ltd.** | | | | |
| **Direct interest** | | | | |
| Ms. Chew Gek Khim | 92,478,922 | - | - | 92,478,922 |
| **Immediate holding company** | | | | |
| **The Straits Trading Company Limited** | | | | |
| **Direct interest** | | | | |
| Ms. Chew Gek Khim | 41,200 | 700,000 | - | 741,200 |
| Mr. Chia Chee Ming, Timothy | 3,900 | - | - | 3,900 |
| **The Company** | | | | |
| **Direct interest** | | | | |
| Ms. Chew Gek Khim | 1,600,000 | - | - | 1,600,000 |
| Dato' Robert Teo Keng Tuan | - | 139,000 | - | 139,000 |
| Dato' Dr. Ir. Yong Mian Thong | 258,800 | 20,000 | - | 278,800 |
| **Deemed interest** | | | | |
| Dato' Robert Teo Keng Tuan | 352,000 | 45,000 | - | 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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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.

**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.

**Subsequent events**

Details of the subsequent events are disclosed in Note 43 to the financial statements.

**Auditors**

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

Auditors' remuneration is as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Ernst & Young | 682 | 510 |
| Other auditors | 9 | - |
| | **691** | **510** |

**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 19 June 2020.

Chew Gek Khim

Dato' Dr. Ir. Yong Mian Thong

# STATEMENT BY DIRECTORS

## PERSUANT 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 86 to 202 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 2019 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 19 June 2020.

Chew Gek Khim

Dato' Dr. Ir. Yong Mian Thong

# STATUTORY DECLARATION

## PERSUANT 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 86 to 202 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 19 June 2020

Lam Hoi Khong
(CA 18848)

Before me,

Tee Hsiao Mei (B272)
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 2019 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 86 to 202.

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 2019, 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.

*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*

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 and apply significant judgements and estimates. As disclosed in Note 26 to the financial statements, the Company wrote down RM31.1 million of tin-bearing inventories to their net realisable value.

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

(a) We read the significant purchase contracts to obtain an understanding of the terms and conditions to establish the Company's rights and obligations over tin-in-concentrates purchased.

(b) We tested the relevant internal controls over the accuracy and timing of recognition of tin-in-concentrates.

(c) We inspected, on a sample basis, documents which evidenced the receipt of tin-in-concentrates from suppliers.

(d) We also focused on testing purchase transactions close to the year end to establish whether the transactions were recorded in the correct accounting period.

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

*Inventories (cont'd)*

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 attended the physical inventory counts and observed whether the counts were conducted according to inventory count procedures.

(d) We tested the arithmetic calculation of the valuation of tin inventories.

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 verified 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 33(a) to the financial statements, the Group recorded a provision for mine restoration costs of RM28.1 million in respect of restoration obligations of its subsidiary as at 31 December 2019. The Group is required to submit its mine restoration plan for approval by the Perak State Mineral Resources Committee, under the Mineral (Perak) Enactment 2003. The Group engaged an external consultant specialising in mine restoration to perform an assessment of the required restoration and to conclude on the best methodology to be adopted by the Group. 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.

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

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.

(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 and the risks specific 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.

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

*Information other than the financial statements and auditors' report thereon (cont'd)*

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

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

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

*Responsibilities of the directors for the financial statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

*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.

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

**Other 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
19 June 2020

# STATEMENTS OF PROFIT OR LOSS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **Revenue** | 4 | 983,567 | 1,280,906 | 983,564 | 1,280,905 |
| **Other items of income** | | | | | |
| Dividend income | 5 | - | - | 70,794 | 65,349 |
| Interest income | 6 | 1,153 | 1,023 | 1,315 | 2,510 |
| Other income | 7 | 10,431 | 14,421 | 11,593 | 11,012 |
| **Expenses** | | | | | |
| Costs of tin mining and smelting | 8 | (826,536) | (1,132,466) | (956,393) | (1,201,330) |
| Depreciation expense | 8 | (16,504) | (15,426) | (6,755) | (5,310) |
| Amortisation expenses | 8 | (2,022) | (2,001) | (3) | (3) |
| Employee benefits expense | 9 | (71,688) | (56,189) | (48,369) | (34,307) |
| (Impairment losses)/Reversal of impairment losses | 10 | (904) | 2,721 | 3,632 | 13,813 |
| Finance costs | 11 | (16,548) | (18,158) | (14,729) | (18,250) |
| Other expenses | 12 | (12,235) | (25,356) | (5,290) | (10,927) |
| **Total expenses** | | (946,437) | (1,246,875) | (1,027,907) | (1,256,314) |
| Share of results of associate and joint venture | | (4,052) | 304 | - | - |
| **Profit before tax** | 8 | 44,662 | 49,779 | 39,359 | 103,462 |
| Income tax (expense)/credit | 13 | (13,977) | (15,485) | 7,205 | (2,443) |
| **Profit net of tax** | | 30,685 | 34,294 | 46,564 | 101,019 |
| **Attributable to:** | | | | | |
| Owners of the Company | | 30,686 | 34,297 | 46,564 | 101,019 |
| Non-controlling interests | | (1) | (3) | - | - |
| | | 30,685 | 34,294 | 46,564 | 101,019 |

| | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| **Earnings per share attributable to owners of the Company (sen per share):** | | | |
| - Basic and diluted | 14 | 7.7 | 8.6 |

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 2019

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Profit net of tax** | 30,685 | 34,294 | 46,564 | 101,019 |
| **Other comprehensive income:** | | | | |
| **Items that will not be reclassified to profit or loss:** | | | | |
| Revaluation reserves on property, plant and equipment, net | 2,708 | 32,902 | 85 | (1,865) |
| Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI") | (4,743) | (5,599) | (4,743) | (5,599) |
| Share of an associate's revaluation reserves on property, plant and equipment | - | (102) | - | - |
| | (2,035) | 27,201 | (4,658) | (7,464) |
| **Items that may be subsequently reclassified to profit or loss:** | | | | |
| Foreign currency translation | 1 | (1) | - | - |
| Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate | - | (825) | - | - |
| Share of foreign currency translation of an associate and a joint venture | 257 | 568 | - | - |
| | 258 | (258) | - | - |
| **Other comprehensive income for the year, net of tax** | (1,777) | 26,943 | (4,658) | (7,464) |
| **Total comprehensive income for the year** | 28,908 | 61,237 | 41,906 | 93,555 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | 28,909 | 61,240 | 41,906 | 93,555 |
| Non-controlling interests | (1) | (3) | - | - |
| **Total comprehensive income for the year** | 28,908 | 61,237 | 41,906 | 93,555 |

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

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 16 | 115,323 | 109,619 | 62,491 | 56,666 |
| Prepaid land lease payments | 17 | - | 485 | - | - |
| Right-of-use assets | 18(a) | 10,386 | - | 1,149 | - |
| Land held for development | 19 | 78,654 | 78,654 | - | - |
| Intangible assets | 20 | 4,063 | 5,014 | 198 | 201 |
| Investment in subsidiaries | 21 | - | - | 148,681 | 148,681 |
| Investments in associate and joint venture | 22 | 30,436 | 35,144 | 18,666 | 18,666 |
| Investment securities | 23 | 9,762 | 14,505 | 9,762 | 14,505 |
| Other non-current assets | 24 | 13,831 | 14,041 | - | - |
| Deferred tax assets | 25 | 9,457 | 11,853 | 6,893 | - |
| | | 271,912 | 269,315 | 247,840 | 238,719 |
| **Current assets** | | | | | |
| Inventories | 26 | 467,443 | 464,162 | 467,324 | 466,080 |
| Trade receivables | 27 | 13,676 | 21,325 | 13,674 | 21,324 |
| Other receivables | 28 | 2,995 | 7,734 | 30,587 | 27,473 |
| Trade prepayments | 29 | 5,636 | 18,969 | 5,636 | 18,969 |
| Other prepayments | | 1,997 | 1,531 | 948 | 1,373 |
| Tax recoverable | | 23,785 | 17,566 | 21,663 | 17,565 |
| Derivative financial instruments | 30 | 1,078 | 561 | 1,078 | 561 |
| Cash, bank balances and deposits | 31 | 35,738 | 37,033 | 20,188 | 18,017 |
| | | 552,348 | 568,881 | 561,098 | 571,362 |
| Non-current assets classified as held for sale | 32 | - | 4,663 | - | 4,663 |
| | | 552,348 | 573,544 | 561,098 | 576,025 |
| **Total assets** | | 824,260 | 842,859 | 808,938 | 814,744 |

# STATEMENTS OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2019

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Provisions | 33 | 15,458 | 2,744 | 15,000 | - |
| Borrowings | 34 | 266,171 | 243,838 | 216,912 | 243,838 |
| Trade and other payables | 35 | 56,368 | 166,343 | 73,850 | 177,387 |
| Lease liabilities | 18(b) | 6,936 | - | 201 | - |
| Current tax payable | | 2,133 | 1,662 | 739 | - |
| Derivative financial instruments | 30 | 1,791 | - | 797 | - |
| | | 348,857 | 414,587 | 307,499 | 421,225 |
| Liabilities directly associated with non-current assets classified as held for sale | 32 | - | 63 | - | 63 |
| | | 348,857 | 414,650 | 307,499 | 421,288 |
| **Net current assets** | | 203,491 | 158,894 | 253,599 | 154,737 |
| **Non-current liabilities** | | | | | |
| Provisions | 33 | 27,652 | 26,165 | - | - |
| Deferred tax liabilities | 25 | 1,912 | 4,278 | - | 285 |
| Borrowings | 34 | - | 49,177 | - | - |
| Loan from immediate holding company | 35 | 73,461 | - | 73,461 | - |
| Lease liabilities | 18(b) | 3,184 | - | 901 | - |
| Derivative financial instruments | 30 | - | 303 | - | - |
| | | 106,209 | 79,923 | 74,362 | 285 |
| **Total liabilities** | | 455,066 | 494,573 | 381,861 | 421,573 |
| **Net assets** | | 369,194 | 348,286 | 427,077 | 393,171 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 36 | 200,000 | 200,000 | 200,000 | 200,000 |
| Other reserves | 37 | 4,400 | 6,177 | (5,451) | (793) |
| Retained earnings | | 164,505 | 139,807 | 232,528 | 191,952 |
| Reserves of non-current assets classified as held for sale | 32 | - | 2,012 | - | 2,012 |
| | | 368,905 | 347,996 | 427,077 | 393,171 |
| **Non-controlling interests** | | 289 | 290 | - | - |
| **Total equity** | | 369,194 | 348,286 | 427,077 | 393,171 |
| **Total equity and liabilities** | | 824,260 | 842,859 | 808,938 | 814,744 |

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

| | | | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | | | Distributable | Non-distributable | |
| | Note | Total equity RM'000 | Equity attributable to owners of the 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-controlling interests RM'000 |
| **Group** | | | | | | | | | | | |
| **At 1 January 2018** | | 291,049 | 290,756 | 174,666 | 37,186 | 1,273 | 3,486 | 1,706 | 72,439 | - | 293 |
| Profit for the year | | 34,294 | 34,297 | - | - | - | - | - | 34,297 | - | (3) |
| Other comprehensive income | | 26,943 | 26,943 | - | 32,800 | (258) | (5,599) | - | - | - | - |
| Total comprehensive income | | 61,237 | 61,240 | - | 32,800 | (258) | (5,599) | - | 34,297 | - | (3) |
| Transfer of revaluation reserves | | - | - | - | (62,405) | - | - | - | 62,405 | - | - |
| Reserves of non-current assets classified as held for sale | 32 | - | - | - | (2,012) | - | - | - | - | 2,012 | - |
| **Transactions with owners of the Company:** | | | | | | | | | | | |
| Issuance of ordinary shares pursuant to bonus issue | 36 | - | - | 25,334 | - | - | - | - | (25,334) | - | - |
| Dividend | 15 | (4,000) | (4,000) | - | - | - | - | - | (4,000) | - | - |
| | | (4,000) | (4,000) | 25,334 | - | - | - | - | (29,334) | - | - |
| **At 31 December 2018** | | 348,286 | 347,996 | 200,000 | 5,569 | 1,015 | (2,113) | 1,706 | 139,807 | 2,012 | 290 |

# STATEMENTS OF CHANGES IN EQUITY
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Non-distributable | | | | | Distributable | Non-distributable | |
| | Note | Total equity RM'000 | Equity attributable to owners of the 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-controlling interests RM'000 |
| **Group** | | | | | | | | | | | |
| **At 1 January 2019** | | 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) | - |
| **Transactions with owners of the Company:** | | | | | | | | | | | |
| Dividend | 15 | (8,000) | (8,000) | - | - | - | - | - | (8,000) | - | - |
| **At 31 December 2019** | | 369,194 | 368,905 | 200,000 | 8,277 | 1,273 | (6,856) | 1,706 | 164,505 | - | 289 |

| | Note | Total equity RM'000 | Share capital RM'000 | Revaluation reserves RM'000 | FVOCI reserves RM'000 | Retained earnings RM'000 | Non-distributable Reserves of non-current assets classified as held for sale RM'000 |
|---|---|---|---|---|---|---|---|
| | | | ← Non-distributable | | → | Distributable | |
| **Company** | | | | | | | |
| **At 1 January 2018** | | 303,616 | 174,666 | 8,476 | 3,486 | 116,988 | - |
| Profit for the year | | 101,019 | - | - | - | 101,019 | - |
| Other comprehensive income | | (7,464) | - | (1,865) | (5,599) | - | - |
| Total comprehensive income | | 93,555 | - | (1,865) | (5,599) | 101,019 | - |
| Transfer of revaluation reserves | | - | - | (3,279) | - | 3,279 | - |
| Reserves of non-current assets classified as held for sale | 32 | - | - | (2,012) | - | - | 2,012 |
| **Transactions with owners of the Company:** | | | | | | | |
| Issuance of ordinary shares pursuant to bonus issue | 36 | - | 25,334 | - | - | (25,334) | - |
| Dividend | 15 | (4,000) | - | - | - | (4,000) | - |
| | | (4,000) | 25,334 | - | - | (29,334) | - |
| **At 31 December 2018** | | 393,171 | 200,000 | 1,320 | (2,113) | 191,952 | 2,012 |

# STATEMENTS OF CHANGES IN EQUITY
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | | Non-distributable | | | Distributable | Non-distributable |
|---|---|---|---|---|---|---|---|
| | Note | Total equity RM'000 | Share capital RM'000 | Revaluation reserves RM'000 | FVOCI reserves RM'000 | Retained earnings RM'000 | Reserves of non-current assets classified as held for sale RM'000 |
| **Company** | | | | | | | |
| **At 1 January 2019** | | 393,171 | 200,000 | 1,320 | (2,113) | 191,952 | 2,012 |
| Profit for the year | | 46,564 | - | - | - | 46,564 | - |
| Other comprehensive income | | (4,658) | - | 85 | (4,743) | - | - |
| Total comprehensive income | | 41,906 | - | 85 | (4,743) | 46,564 | - |
| Transfer of reserves of non-current assets classified as held for sale | | - | - | - | - | 2,012 | (2,012) |
| **Transactions with owners of the Company:** | | | | | | | |
| Dividend | 15 | (8,000) | - | - | - | (8,000) | - |
| **At 31 December 2019** | | 427,077 | 200,000 | 1,405 | (6,856) | 232,528 | - |

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 2019

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit before tax | | 44,662 | 49,779 | 39,359 | 103,462 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | | 951 | 928 | 3 | 3 |
| Amortisation of mine properties | 8 | 1,071 | 1,046 | - | - |
| Amortisation of prepaid land lease payments | 8 | - | 27 | - | - |
| Depreciation | 8 | 16,504 | 15,426 | 6,755 | 5,310 |
| Dividend income received from a subsidiary | 5 | - | - | (70,785) | (65,340) |
| Dividend income received from an associate | 5 | - | - | (9) | (9) |
| Fair value changes in forward currency contracts | 7,12 | 174 | (2,341) | (517) | (186) |
| Fair value changes in forward tin contracts | 12 | 797 | - | 797 | - |
| Gain on disposal of property, plant and equipment | 7 | - | (160) | - | (160) |
| Gain on disposal of a joint venture | 7 | - | (2,026) | - | (2,026) |
| Reversal of impairment of receivables | 10 | - | (2,906) | (3,632) | (13,813) |
| Impairment of investments in associate and joint venture | 10 | 904 | 185 | - | - |
| Interest expense | | 15,336 | 17,147 | 14,714 | 18,234 |
| Interest income | 6 | (1,153) | (1,023) | (1,315) | (2,510) |
| Inventories written down to net realisable value | 8 | 31,100 | - | 31,100 | - |
| Property, plant and equipment written off | 12 | 38 | 56 | - | 21 |
| Provision for voluntary separation compensation | 9 | 15,000 | - | 15,000 | - |
| Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate | | - | (825) | - | - |
| Revaluation deficit/(Reversal of revaluation deficit) on property | 7,12 | - | 1,805 | (358) | 454 |
| Reversal of provision for tribute no longer required | 8 | (48,354) | - | - | - |
| Share of results of associate and joint venture | | 4,052 | (304) | - | - |
| Unrealised loss on exchange | 12 | 104 | 217 | 22 | 204 |
| Unwinding of discount on provision | 11 | 1,197 | 995 | - | - |
| Operating cash flows before changes in working capital | | 82,383 | 78,026 | 31,134 | 43,644 |

# STATEMENTS OF CASH FLOWS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **Operating activities (cont'd)** | | | | | |
| (Increase)/Decrease in inventories | | (34,381) | 5,515 | (32,344) | 3,651 |
| Decrease/(Increase) in receivables | | 11,903 | (9,768) | 11,456 | (12,249) |
| Decrease in amount due from subsidiaries | | - | - | 2,006 | 1,266 |
| Decrease in amount due from associate and joint venture | | 404 | 4,218 | 404 | 4,218 |
| Decrease in trade prepayments | | 13,333 | 30,725 | 13,333 | 30,725 |
| Increase in other prepayments | | (930) | (66) | (39) | (27) |
| Increase/(Decrease) in payables | | 6,200 | (4,237) | 1,172 | (26,467) |
| Increase in amount due to immediate holding company | | 14 | 14 | 14 | 874 |
| Decrease in amount due to subsidiaries | | - | - | (70,599) | (76,134) |
| Cash generated from/(used in) operations | | 78,926 | 104,427 | (43,463) | (30,499) |
| Income tax paid | | (18,128) | (15,120) | (3,359) | - |
| Interest paid | | (14,364) | (15,261) | (11,611) | (13,304) |
| Net cash generated from/(used in) operating activities | | 46,434 | 74,046 | (58,433) | (43,803) |
| **Investing activities** | | | | | |
| Advances given to subsidiaries | | - | - | (5,036) | (23,405) |
| Interest received | | 1,156 | 1,052 | 576 | 963 |
| Net dividend received from an associate | 5 | 9 | 9 | 9 | 9 |
| Net dividend received from a subsidiary | 5 | - | - | 70,785 | 65,340 |
| Payment for right-of-use assets | | (58) | - | (58) | - |
| Payment for deferred mine exploration and evaluation expenditures and mine properties | 24 | (861) | (642) | - | - |
| Proceeds from disposal of investment in a joint venture | | - | 2,026 | - | 2,026 |
| Proceeds from disposal of non-current assets classified as held for sale | | 4,556 | - | 4,556 | - |
| Proceeds from disposal of property, plant and equipment | | - | 160 | - | 160 |
| Purchase of property, plant and equipment | | (13,389) | (17,990) | (11,609) | (2,262) |
| Withdrawal of deposits of more than three months maturity with licensed banks | | - | 3,735 | - | 3,735 |
| Net cash (used in)/generated from investing activities | | (8,587) | (11,650) | 59,223 | 46,566 |

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| **Financing activities** | | | | | |
| Advances received from a subsidiary | | - | - | 36,400 | 50,500 |
| Dividend paid | 15 | (8,000) | (4,000) | (8,000) | (4,000) |
| Repayment of short term trade borrowings | | (26,891) | (159,760) | (26,891) | (159,760) |
| Loan from immediate holding company | | - | 73,461 | - | 73,461 |
| Payment of lease liabilities | | (4,250) | - | (127) | - |
| Net cash (used in)/generated from financing activities | | (39,141) | (90,299) | 1,382 | (39,799) |
| Net (decrease)/increase in cash and cash equivalents | | (1,294) | (27,903) | 2,172 | (37,036) |
| Effect of changes in foreign exchange rates | | (1) | (7) | (1) | (7) |
| Cash and cash equivalents as at 1 January | | 37,033 | 64,943 | 18,017 | 55,060 |
| Cash and cash equivalents as at 31 December | 31 | 35,738 | 37,033 | 20,188 | 18,017 |

**Reconciliation of liabilities arising from financing activities:**

**Group**

| 2019 | Carrying amount as at 1 January 2019 RM'000 | Cash flows RM'000 | Non-cash changes: Additions | Non-cash changes: Foreign exchange movement RM'000 | Carrying amount as at 31 December 2019 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 |
| **Total liabilities from financing activities** | **366,476** | **(31,141)** | **14,370** | **47** | **349,752** |

# STATEMENTS OF CASH FLOWS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

**Group**

| 2018 | Carrying amount as at 1 January 2018 RM'000 | Cash flows RM'000 | Non-cash changes Foreign exchange movement RM'000 | Carrying amount as at 31 December 2018 RM'000 |
|---|---|---|---|---|
| Loan from immediate holding company | - | 73,461 | - | 73,461 |
| Short term trade borrowings | 403,617 | (159,760) | (19) | 243,838 |
| Term loan | 49,164 | - | 13 | 49,177 |
| **Total liabilities from financing activities** | **452,781** | **(86,299)** | **(6)** | **366,476** |

**Company**

| | | | ← Non-cash changes → | | |
|---|---|---|---|---|---|
| 2019 | Carrying amount as at 1 January 2019 RM'000 | Cash flows RM'000 | Additions | Foreign exchange movement RM'000 | Carrying amount as at 31 December 2019 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 |
| **Total liabilities from financing activities** | **317,299** | **(27,018)** | **1,229** | **(35)** | **291,475** |

| 2018 | Carrying amount as at 1 January 2018 RM'000 | Cash flows RM'000 | Non-cash changes Foreign exchange movement RM'000 | Carrying amount as at 31 December 2018 RM'000 |
|---|---|---|---|---|
| Loan from immediate holding company | - | 73,461 | - | 73,461 |
| Short term trade borrowings | 403,617 | (159,760) | (19) | 243,838 |
| **Total liabilities from financing activities** | **403,617** | **(86,299)** | **(19)** | **317,299** |

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

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The Company is secondarily listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Registered Office of the Company is located at 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 21 and 22 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 2019

**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 2019, the Group and the Company have adopted the following new standards, amendments, IC Interpretation and annual improvements to MFRS mandatory for annual financial periods beginning on or after 1 January 2019.

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation | 1 January 2019 |
| MFRS 16 Leases | 1 January 2019 |
| Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015–2017 Cycle | 1 January 2019 |
| Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| IC Interpretation 23 Uncertainty over Income Tax Treatments | 1 January 2019 |

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

**MFRS 16 Leases**

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

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

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

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

**2.2 Changes in accounting policies (cont'd)**

**MFRS 16 Leases (cont'd)**

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117. MFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019, comparative are not restated. The Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The Group and the Company recognised the carrying amount of the prepaid land lease payments as at 31 December 2018 as the carrying amount of the right-of-use ("ROU") assets at the date of initial application.

The following table presents the impact of changes to the statements of financial position of the Group and the Company resulting from the adoption of MFRS 16 as at 1 January 2019:

| **Group** | **Note** | **As at 31.12.2018 RM'000** | **Changes RM'000** | **As at 01.01.2019 RM'000** |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Prepaid land lease payments | | 485 | (485) | - |
| Right-of-use assets | (a) | - | 1,176 | 1,176 |
| **Current liabilities** | | | | |
| Lease liability | (b) | - | 127 | 127 |
| **Non-current liabilities** | | | | |
| Lease liability | (b) | - | 564 | 564 |
| **Company** | | | | |
| **Non-current assets** | | | | |
| Right-of-use asset | (a) | - | 691 | 691 |
| **Current liabilities** | | | | |
| Lease liability | (b) | - | 127 | 127 |
| **Non-current liabilities** | | | | |
| Lease liability | (b) | - | 564 | 564 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.2 Changes in accounting policies (cont'd)

**MFRS 16 Leases (cont'd)**

**Note:**

(a) The right-of-use assets consist of rent of office building and leasehold land. Subsequent to initial recognition, the right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any re-measurement of lease liability.

(b) The lease liability arising from the rent of office building is recognised and discounted using the Group's weighted average incremental borrowing rate of 4.2%. Subsequent to initial recognition, the Group and the Company measure the lease liability by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect lease payments made and re-measuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability for the Group and the Company as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | RM'000 |
|---|---|
| **Operating lease commitments as at 31 December 2018** | **348** |
| Add: Option of extension of lease | 468 |
| Less: Commitments relating to short-term lease | (36) |
| | 780 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 4.2% |
| **Lease liability as at 1 January 2019** | **691** |

### 2.3 Standards issued but not yet effective

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

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendments to MFRS 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 |

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

The Group and the Company have not adopted the following standards that have been issued but not yet effective: (cont'd)

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Conceptual Framework in MFRS Standards: (cont'd) | |
| • 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 – *Interest Rate Benchmark Reform* | 1 January 2020 |
| Amendments to MFRS 16 Leases – COVID-19-Related Rent Concessions | 1 June 2020 |
| Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current | 1 January 2022 |
| 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 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

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

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

**Amendments to MFRS 3 Business Combinations – Definition of a Business**

The definition of a business in MFRS 3 Business Combinations was amended to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

**Minimum requirements to be a business**

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. An acquired process must be considered substantive only if:

(a) it is critical to the ability to develop or convert acquired inputs into outputs; and
(b) the inputs acquired include both an organised workforce with the necessary skills, knowledge, or experience to perform that process, and other inputs that the organised workforce could develop or convert into outputs.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

**Amendments to MFRS 101 Presentation of Financial Statements, and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material**

The amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 align the definition of 'material' across the standards and clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

**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, and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material (cont'd)**

Effective for annual periods beginning on or after 1 January 2020.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

**Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)**

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship
- Reintroduces the concept of prudence
- Defines the concept of measurement uncertainty
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"
- Made changes to the definitions of an asset and a liability

Effective for annual periods beginning on or after 1 January 2020.

**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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

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

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

**Business combinations**

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

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

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

**Business combinations (cont'd)**

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

**2.5 Subsidiaries**

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

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

(ii) Exposure, or rights, to variable returns from its 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 2.13.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 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.

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.

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

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

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 2.13.

### 2.7 Intangible assets

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

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

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

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

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 2.13.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

**(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) Club memberships**

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

**2.8 Mine exploration, evaluation expenditures and mine properties**

**a) Deferred mine exploration and evaluation expenditures**

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

Exploration and evaluation activity includes:

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

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

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

**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)**

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 2.13.

**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.

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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

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

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

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.13.

### 2.9 Mine restoration expenditure

Restoration expenditure incurred during the production phase of operations is recognised in profit or loss as part of the cost of production of the mine property concerned.

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

### 2.10 Property, plant and equipment and depreciation

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

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

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

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

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

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

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 |

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 2.13.

**2.11 Prepaid land lease payments**

**Initial recognition and measurement in the financial year ended 31 December 2019**

The Group and the Company recognised the carrying amount of the prepaid land lease payments as at 31 December 2018 as the carrying amount of the right-of-use assets at the date of initial application of MFRS 16 Leases in accordance with Note 2.2.

**Initial recognition and measurement prior to 1 January 2019**

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

The prepaid land lease payments are amortised over their lease terms.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.13.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.12 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.

### 2.13 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.

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

**2.13 Impairment of non-financial assets (cont'd)**

The following assets have specific characteristics for impairment testing:

**Intangible assets**

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

**2.14 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**

<u>Investments in debt instruments</u>

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 2019

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

### 2.14 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.

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

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

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

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

The Group and the Company measure the impairment loss based on the two-step approach to measure the 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 occuring within the next 12 months considering the loss given default of that financial asset.

- Lifetime ECL

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

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

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.16 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.

### 2.17 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.

### 2.18 Lease

***The Group and the Company as lessee***

<u>Right-of-use assets</u>

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.

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

**2.18 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 2019

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

### 2.19 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.

### 2.20 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.

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

**2.20 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.

**2.21 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 2019

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

### 2.22 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 41(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.

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

**2.22 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.

**2.23 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 2019

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

### 2.23 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.

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

**2.23 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 2019

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

### 2.24 Foreign currencies

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

**i) Transactions and balances**

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

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

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

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

**ii) Group companies**

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

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

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

### 2.25 Non-current assets classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

### 2.26 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:

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

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

**(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.

**(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.

**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.

### 2.27 Borrowing costs

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

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

**2.28 Income tax**

**(a) Current tax**

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

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

**(b) Deferred tax**

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

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

- 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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.28 Income tax (cont'd)

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

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

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

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

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

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

### 2.29 Employee benefits

#### (a) Short term benefits

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

#### (b) Defined contribution plans

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

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

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

**(c) Termination benefits**

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

**2.30 Segment reporting**

For management purposes, the Group is organised into operating segments based on business segments which are independently managed by the respective segment chief operating officers responsible for the performance of the respective segments under their charge. The segment chief operating officers report directly to the chief executive officer of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2.31 Share capital and share issuance expenses**

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

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

**2.32 Contingencies**

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

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

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 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.

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 subsidiary has engaged an external consultant specialising in mine restoration to carry out assessment on the mine restoration plan. The mine restoration plan was resubmitted by the subsidiary to the relevant authorities during the year ended 31 December 2017. The carrying amount of provision for mine restoration costs amounting to RM28.1 million (2018: RM26.5 million) is as disclosed in Note 33. 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.

**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. 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 USD18,053 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 during the year. The carrying amount of inventories at the reporting date is disclosed in Note 26.

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:

| | | **(Decrease)/ Increase in profit or loss RM'000** | **(Decrease)/ Increase in inventories balance RM'000** |
|---|---|---|---|
| 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 19 June 2020, being the date the financial statements were authorised for issue, the tin price recorded on LME was USD16,858 per tonne.

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 events.

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

**(d) Income taxes, deferred tax liabilities and tax recoverable**

The Group and the Company are subject to income taxes in Malaysia and other overseas jurisdictions. Significant judgement is required in determining the capital 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. The amount of income tax expense recognised in profit or loss and the carrying amount of deferred tax liabilities at the reporting date are disclosed in Notes 13 and 25 respectively.

**(e) Leases**

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

The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease of it is reasonably certain to be exercised.

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.

**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).

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

**(f) Provision for voluntary separation compensation**

Provision for voluntary separation compensation, amounting to RM15.0 million as disclosed in Note 33, 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 taking up the scheme. Where the actual "take-up" rate differs from the original estimates, the difference may significantly impact the carrying amount of provision for voluntary separation compensation.

**(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").

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.

**4. Revenue**

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Sale of tin | 925,511 | 1,220,026 | 925,511 | 1,220,026 |
| Smelting revenue | 29,154 | 29,290 | 29,154 | 29,290 |
| Sale of by-products | 25,335 | 26,990 | 25,335 | 26,990 |
| Others | 3,567 | 4,600 | 3,564 | 4,599 |
| | 983,567 | 1,280,906 | 983,564 | 1,280,905 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 4. Revenue (cont'd)

### Disaggregation of revenue

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 42. 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 |
|---|---|---|---|---|---|
| **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 |
| | 983,567 | 165,652 | 1,149,219 | (165,652) | 983,567 |
| **Timing of revenue recognition** | | | | | |
| At a point in time | 983,567 | 165,652 | 1,149,219 | (165,652) | 983,567 |
| **2018** | | | | | |
| **Major products or services:** | | | | | |
| Sale of tin | 1,220,026 | 183,546 | 1,403,572 | (183,546) | 1,220,026 |
| Smelting revenue | 29,290 | - | 29,290 | - | 29,290 |
| Sale of by-products | 26,990 | - | 26,990 | - | 26,990 |
| Others | 4,600 | - | 4,600 | - | 4,600 |
| | 1,280,906 | 183,546 | 1,464,452 | (183,546) | 1,280,906 |
| **Timing of revenue recognition** | | | | | |
| At a point in time | 1,280,906 | 183,546 | 1,464,452 | (183,546) | 1,280,906 |

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.

## 5. Dividend income

| | Company | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Dividend income from: | | |
| Investment in subsidiaries | | |
| - Unquoted in Malaysia | 70,785 | 65,340 |
| Investments in associate and joint venture | | |
| - Unquoted in Malaysia | 9 | 9 |
| | 70,794 | 65,349 |

## 6. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Interest income from: | | | | |
| - Subsidiaries | - | - | 742 | 1,575 |
| - Associate | 10 | 178 | 10 | 178 |
| - Deposits placed with licensed banks | 909 | 579 | 329 | 491 |
| - Tin sales | 234 | 266 | 234 | 266 |
| | 1,153 | 1,023 | 1,315 | 2,510 |

## 7. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Other operating income | 8,902 | 9,894 | 10,031 | 8,640 |
| Gain on disposal of property, plant and equipment | - | 160 | - | 160 |
| Net foreign exchange gain: | | | | |
| - Realised | 687 | - | 687 | - |
| Net fair value changes in derivative financial instruments: | | | | |
| - Forward currency contracts | - | 2,341 | 517 | 186 |
| Reversal of provision for environmental waste removal no longer required (Note 33) | 842 | - | - | - |
| Reversal of revaluation deficit on property | - | - | 358 | - |
| Gain on disposal of a joint venture | - | 2,026 | - | 2,026 |
| | 10,431 | 14,421 | 11,593 | 11,012 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 8. Profit before tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| After charging/(crediting): | | | | |
| Auditors' remuneration: | | | | |
| - statutory audits | 691 | 663 | 510 | 510 |
| - other services | 220 | 155 | 220 | 155 |
| Amortisation of prepaid land lease payments (Note 17) | - | 27 | - | - |
| Amortisation of mining rights (Note 20) | 943 | 920 | - | - |
| Amortisation of corporate club memberships (Note 20) | 8 | 8 | 3 | 3 |
| Amortisation of mine properties (Note 24) | 1,071 | 1,046 | - | - |
| Amortisation expenses | 2,022 | 2,001 | 3 | 3 |
| Cost of tin mining and smelting* | 826,536 | 1,132,466 | 956,393 | 1,201,330 |
| Depreciation of property, plant and equipment (Note 16) | 11,977 | 15,426 | 6,617 | 5,310 |
| Depreciation of right-of-use assets (Note 18(a)) | 4,527 | - | 138 | - |
| Depreciation expenses | 16,504 | 15,426 | 6,755 | 5,310 |
| Directors' fees (Note 39(b)) | 501 | 470 | 480 | 470 |
| Inventories written down to net realisable value | 31,100 | - | 31,100 | - |
| Professional indemnity insurance for directors and officers | 81 | 92 | 81 | 92 |
| 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, and a reversal of provision for tributes no longer required amounting to RM48,354,000 during the year.

### 9. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages and salaries | 48,412 | 48,417 | 27,518 | 28,911 |
| Social security contribution | 534 | 517 | 247 | 235 |
| Contribution to defined contribution plan | 4,967 | 5,060 | 3,198 | 3,364 |
| Provision for voluntary separation compensation (Note 33) | 15,000 | - | 15,000 | - |
| Other benefits | 2,775 | 2,195 | 2,406 | 1,797 |
| | 71,688 | 56,189 | 48,369 | 34,307 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Reversal of impairment of receivables (Note 28) | - | (2,906) | (3,632) | (13,813) |
| Impairment of investments in associate and joint venture | 904 | 185 | - | - |
| | 904 | (2,721) | (3,632) | (13,813) |

## 11. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Interest expense on bank borrowings | 11,665 | 16,304 | 9,588 | 14,354 |
| Interest expense on amount due to a subsidiary | - | - | 2,132 | 3,037 |
| Interest expense on lease liabilities (Note 18(b)) | 706 | - | 29 | - |
| Interest expense on loan from immediate holding company | 2,965 | 843 | 2,965 | 843 |
| Commitment fees | 15 | 16 | 15 | 16 |
| Unwinding of discount on provision (Note 33) | 1,197 | 995 | - | - |
| | 16,548 | 18,158 | 14,729 | 18,250 |

## 12. Other expenses

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Administrative expenses | 10,100 | 15,342 | 3,449 | 4,449 |
| Marketing and distribution expenses | 1,022 | 1,268 | 1,022 | 1,268 |
| Net foreign exchange loss: | | | | |
| - Realised | - | 6,668 | - | 4,531 |
| - Unrealised | 104 | 217 | 22 | 204 |
| Property, plant and equipment written off | 38 | 56 | - | 21 |
| Net fair value changes in derivative financial instruments: | | | | |
| - Forward currency contracts | 174 | - | - | - |
| - Forward tin contracts | 797 | - | 797 | - |
| Revaluation deficit on property | - | 1,805 | - | 454 |
| | 12,235 | 25,356 | 5,290 | 10,927 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 13. Income tax expense

**Major components of income tax expense**

The major components of income tax expense are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Statements of profit or loss** | | | | |
| Malaysian income tax: | | | | |
| Current income tax | 13,200 | 18,498 | - | 944 |
| Over provision in prior year | (820) | (21) | - | - |
| | 12,380 | 18,477 | - | 944 |
| Deferred tax (Note 25): | | | | |
| Relating to origination and reversal of temporary differences | 1,749 | (4,535) | (7,499) | 1,266 |
| (Over)/Under provision in prior year | (152) | 1,543 | 294 | 233 |
| | 1,597 | (2,992) | (7,205) | 1,499 |
| Income tax expense/(credit) recognised in profit or loss | 13,977 | 15,485 | (7,205) | 2,443 |
| **Statements of comprehensive income** | | | | |
| Deferred tax related to other comprehensive income (Note 25): | | | | |
| Net surplus on revaluation of properties | 855 | 2,402 | 27 | 27 |
| Net fair value changes in quoted investments at Fair Value through Other Comprehensive Income ("FVOCI") | - | (1,101) | - | (1,101) |
| | 855 | 1,301 | 27 | (1,074) |

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 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:

| | 2019 | 2018 |
|---|---|---|
| Indonesia | 25% | 25% |
| Singapore | 17% | 17% |

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

**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 | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Profit before tax | 44,662 | 49,779 | 39,359 | 103,462 |
| Taxation at Malaysian statutory tax rate of 24% (2018: 24%) | 10,719 | 11,947 | 9,446 | 24,831 |
| Different tax rates in other countries | 2 | 1 | - | |
| Deferred tax recognised at different tax rates | - | 8 | - | - |
| Income not subject to tax | - | (765) | (17,948) | (19,390) |
| Expenses not deductible for tax purpose | 4,228 | 6,636 | 1,003 | 633 |
| Reinvestment allowance claimed | - | (3,864) | - | (3,864) |
| Over provision of tax expense in prior year | (820) | (21) | - | - |
| (Over)/Under provision of deferred tax in prior year | (152) | 1,543 | 294 | 233 |
| Income tax expense/(credit) recognised in profit or loss | 13,977 | 15,485 | (7,205) | 2,443 |

## 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 | |
|---|---|---|
| | 2019 | 2018 |
| Profit net of tax attributable to owners of the Company (RM'000) | 30,686 | 34,297 |
| Weighted average number of ordinary shares in issue ('000) | 400,000 | 400,000 |
| Basic and diluted earnings per share (sen) | 7.7 | 8.6 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 15. Dividends

| | | | Net dividend per ordinary share | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>sen | 2018<br>sen |
| First and final single-tier dividend of RM0.04 per share on 100,000,000 ordinary shares, for the year ended 31 December 2017, declared on 30 May 2018 and paid on 9 July 2018 | - | 4,000 | - | 4 |
| 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 | - |
| | 8,000 | 4,000 | 2 | 4 |

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 RM0.02 per share amounting to RM8,000,000 for the financial year ended 31 December 2019.

The financial statements for the financial year ended 31 December 2019 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 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 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 January 2019 | | | | | | | |
| - At cost | - | - | - | 123,171 | 22,396 | 5,286 | 150,853 |
| - At valuation | 306 | 27,300 | 19,933 | - | - | - | 47,539 |
| | 306 | 27,300 | 19,933 | 123,171 | 22,396 | 5,286 | 198,392 |
| 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 | 306 | 29,900 | 19,922 | 131,118 | 22,800 | 10,116 | 214,162 |
| Representing: | | | | | | | |
| - At cost | - | - | - | 131,118 | 22,800 | 10,116 | 164,034 |
| - At valuation | 306 | 29,900 | 19,922 | - | - | - | 50,128 |
| At 31 December 2019 | 306 | 29,900 | 19,922 | 131,118 | 22,800 | 10,116 | 214,162 |
| **Accumulated depreciation** | | | | | | | |
| 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 | - | - | - | 85,707 | 13,132 | - | 98,839 |
| **Net carrying amount** | | | | | | | |
| At cost | - | - | - | 45,411 | 9,668 | 10,116 | 65,195 |
| At valuation | 306 | 29,900 | 19,922 | - | - | - | 50,128 |
| At 31 December 2019 | 306 | 29,900 | 19,922 | 45,411 | 9,668 | 10,116 | 115,323 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 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 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 January 2018 | | | | | | | |
| - At cost | - | - | - | 122,054 | 25,066 | 1,661 | 148,781 |
| - At valuation | 36,669 | 24,670 | 28,189 | - | - | - | 89,528 |
| | 36,669 | 24,670 | 28,189 | 122,054 | 25,066 | 1,661 | 238,309 |
| Additions | 7,461 | - | - | 1,147 | - | 9,382 | 17,990 |
| Reversal | - | - | - | - | (2,670) | - | (2,670) |
| Disposals | - | - | - | (992) | - | - | (992) |
| Written off | - | - | - | (1,637) | - | - | (1,637) |
| Transfer in/(out) | - | - | 3,158 | 2,599 | - | (5,757) | - |
| Revaluation surplus/(deficit) | 34,602 | 2,938 | (4,042) | - | - | - | 33,498 |
| Reclassified from prepaid land lease payments (Note 17) | 228 | - | - | - | - | - | 228 |
| Reclassified to land held for development (Note 19) | (78,654) | - | - | - | - | - | (78,654) |
| Reclassified to non-current assets classified as held for sale (Note 32) | - | - | (4,600) | - | - | - | (4,600) |
| Elimination of accumulated depreciation on revaluation | - | (308) | (2,772) | - | - | - | (3,080) |
| At 31 December 2018 | 306 | 27,300 | 19,933 | 123,171 | 22,396 | 5,286 | 198,392 |
| Representing: | | | | | | | |
| - At cost | - | - | - | 123,171 | 22,396 | 5,286 | 150,853 |
| - At valuation | 306 | 27,300 | 19,933 | - | - | - | 47,539 |
| At 31 December 2018 | 306 | 27,300 | 19,933 | 123,171 | 22,396 | 5,286 | 198,392 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2018 | - | - | - | 70,218 | 8,782 | - | 79,000 |
| Depreciation charge for the year (Note 8) | - | 308 | 2,772 | 9,089 | 3,257 | - | 15,426 |
| Disposals | - | - | - | (992) | - | - | (992) |
| Written off | - | - | - | (1,581) | - | - | (1,581) |
| Elimination of accumulated depreciation on revaluation | - | (308) | (2,772) | - | - | - | (3,080) |
| At 31 December 2018 | - | - | - | 76,734 | 12,039 | - | 88,773 |
| **Net carrying amount** | | | | | | | |
| - At cost | - | - | - | 46,437 | 10,357 | 5,286 | 62,080 |
| - At valuation | 306 | 27,300 | 19,933 | - | - | - | 47,539 |
| At 31 December 2018 | 306 | 27,300 | 19,933 | 46,437 | 10,357 | 5,286 | 109,619 |

## 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 |
|---|---|---|---|---|
| **Cost or Valuation** | | | | |
| At 1 January 2019 | | | | |
| - At cost | - | 89,155 | 5,116 | 94,271 |
| - At valuation | 13,509 | - | - | 13,509 |
| | 13,509 | 89,155 | 5,116 | 107,780 |
| 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 | 13,506 | 96,997 | 9,246 | 119,749 |
| Representing: | | | | |
| - At cost | - | 96,997 | 9,246 | 106,243 |
| - At valuation | 13,506 | - | - | 13,506 |
| At 31 December 2019 | 13,506 | 96,997 | 9,246 | 119,749 |
| **Accumulated depreciation** | | | | |
| 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 | - | 57,258 | - | 57,258 |
| **Net carrying amount** | | | | |
| - At cost | - | 39,739 | 9,246 | 48,985 |
| - At valuation | 13,506 | - | - | 13,506 |
| At 31 December 2019 | 13,506 | 39,739 | 9,246 | 62,491 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 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 |
|---|---|---|---|---|
| **Cost or Valuation** | | | | |
| At 1 January 2018 | | | | |
| - At cost | - | 70,707 | 40 | 70,747 |
| - At valuation | 11,246 | - | - | 11,246 |
| | 11,246 | 70,707 | 40 | 81,993 |
| Additions | 9,467 | 19,290 | 5,381 | 34,138 |
| Disposals | - | (992) | - | (992) |
| Written off | - | (155) | - | (155) |
| Transfer in/(out) | - | 305 | (305) | - |
| Reclassified to non-current assets classified as held for sale (Note 32) | (4,600) | - | - | (4,600) |
| Revaluation deficit | (2,292) | - | - | (2,292) |
| Elimination of accumulated depreciation on revaluation | (312) | - | - | (312) |
| At 31 December 2018 | 13,509 | 89,155 | 5,116 | 107,780 |
| Representing: | | | | |
| - At cost | - | 89,155 | 5,116 | 94,271 |
| - At valuation | 13,509 | - | - | 13,509 |
| At 31 December 2018 | 13,509 | 89,155 | 5,116 | 107,780 |
| **Accumulated depreciation** | | | | |
| At 1 January 2018 | - | 47,242 | - | 47,242 |
| Depreciation charge for the year (Note 8) | 312 | 4,998 | - | 5,310 |
| Disposals | - | (992) | - | (992) |
| Written off | - | (134) | - | (134) |
| Elimination of accumulated depreciation on revaluation | (312) | - | - | (312) |
| At 31 December 2018 | - | 51,114 | - | 51,114 |
| **Net carrying amount** | | | | |
| - At cost | - | 38,041 | 5,116 | 43,157 |
| - At valuation | 13,509 | - | - | 13,509 |
| At 31 December 2018 | 13,509 | 38,041 | 5,116 | 56,666 |

### Company

Included in the Company's additions to property, plant and equipment is the transfer of assets from a subsidiary, M Smelt (C) Sdn. Bhd. on 31 December 2018 amounting to RM31,876,000. The total consideration for the assets transferred was set-off against the amount due from the subsidiary.

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

**Group**

Land and buildings owned by the Group were revalued on 31 December 2019 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 | 43,060 |
| (ii) | 80 units of flats in Bukit Mertajam | 4,496 |
| (iii) | Land and buildings in Daerah Hulu Perak | 2,572 |
| | | 50,128 |

Further details on the valuation are disclosed in Note 41(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 | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Freehold land | 105 | 105 | - | - |
| Leasehold land | 23,693 | 24,002 | - | - |
| Buildings | 15,566 | 16,188 | 11,004 | 11,499 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17. Prepaid land lease payments

| Group | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| **Leasehold land** | | |
| At 1 January | 485 | 740 |
| Effects of MFRS 16 Leases adoption (Note 2.2) | (485) | - |
| Amortisation for the year (Note 8) | - | (27) |
| Reclassified to property, plant and equipment (Note 16) | - | (228) |
| At 31 December | - | 485 |
| Analysed as: | | |
| Long term leasehold land | - | 485 |
| Short term leasehold land | - | - |
| | - | 485 |
| Amount to be amortised: | | |
| - Not later than one year | - | 7 |
| - Later than one year but not later than five years | - | 30 |
| - Later than five years | - | 448 |
| | - | 485 |

Refer to Note 2.2 for details of the accounting policy applicable prior to 1 January 2019 and the new accounting policy applicable from 1 January 2019 under MFRS 16 Leases.

The long term leasehold land has unexpired lease periods of between 50 and 94 years in 2018. A short term leasehold land, Lot 268 located at Butterworth, was converted to freehold land during the financial year 2018 and accordingly the book value RM228,000 has been reclassified to property, plant and equipment.

## 18. Right-of-use assets and lease liabilities

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

| Group | Leasehold land RM'000 | Buildings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2019 | - | - | - | - |
| Effects of MFRS 16 Leases adoption (Note 2.2) | 485 | 691 | - | 1,176 |
| Additions | 13,141 | - | 596 | 13,737 |
| At 31 December 2019 | 13,626 | 691 | 596 | 14,913 |
| **Accumulated depreciation** | | | | |
| At 1 January 2019 | - | - | - | - |
| Depreciation charge for the year (Note 8) | 4,389 | 138 | - | 4,527 |
| At 31 December 2019 | 4,389 | 138 | - | 4,527 |
| **Net carrying amount** | | | | |
| At 31 December 2019 | 9,237 | 553 | 596 | 10,386 |

| Company | Buildings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2019 | - | - | - |
| Effects of MFRS 16 Leases adoption (Note 2.2) | 691 | - | 691 |
| Additions | - | 596 | 596 |
| At 31 December 2019 | 691 | 596 | 1,287 |
| **Accumulated depreciation** | | | |
| At 1 January 2019 | - | - | - |
| Depreciation charge for the year (Note 8) | 138 | - | 138 |
| At 31 December 2019 | 138 | - | 138 |
| **Net carrying amount** | | | |
| At 31 December 2019 | 553 | 596 | 1,149 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (b) Lease liabilities

| | Group 2019 RM'000 | Company 2019 RM'000 |
|---|---|---|
| **Non-current** | | |
| Lease liabilities | 3,184 | 901 |
| **Current** | | |
| Lease liabilities | 6,936 | 201 |
| Total lease liabilities | 10,120 | 1,102 |

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

| | Group RM'000 | Company RM'000 |
|---|---|---|
| At 1 January 2019 | - | - |
| Effects of MFRS 16 Leases adoption (Note 2.2) | 691 | 691 |
| Additions | 13,679 | 538 |
| Interest charged (Note 11) | 706 | 29 |
| Payments of: | | |
| - Principal | (4,250) | (127) |
| - Interest | (706) | (29) |
| At 31 December 2019 | 10,120 | 1,102 |

The following are the amounts recognised in profit or loss:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Expense relating to short-term leases | 1,724 | 356 | 1,111 | 339 |
| Expense relating to leases of low-value assets | 174 | 178 | 128 | 124 |

## 19. Land held for development

| Group | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| At 1 January | 78,654 | - |
| Reclassified from property, plant and equipment (Note 16) | - | 78,654 |
| At 31 December | 78,654 | 78,654 |

In September 2018, in furtherance to the Memorandum of Understanding between MSC Properties Sdn. Bhd., a wholly owned subsidiary of MSC and The Straits Trading Company Limited on 27 September 2018 for the proposed joint cooperation of both parties either to develop or sell the land, a valuation was carried out to ascertain the fair market value of the freehold land and buildings located at 27 Jalan Pantai, 12000 Butterworth, on a “Redevelopment” basis. The revaluation exercise gives a net revaluation surplus of RM30.5 million. The said property after the revaluation was then reclassified from property, plant and equipment to land held for development, and the related revaluation reserves were reclassified to retained earnings.

The state authority has approved the subsidiary, MSC Properties Sdn. Bhd.’s application to surrender and realienate the existing Lot Nos.142 to 187, 268 and 362 to 7 (seven) new parcels identified as Plot 1 to Plot 7 in year 2018. During the year, Plot 1 to Plot 4 have been issued with new titles named Lot 20514 to Lot 20517 whilst Plots 5 to 7 have been surrendered to the government.

## 20. Intangible assets

| Group | Mining rights RM'000 | Corporate club memberships RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2018/ 31 December 2018/ 31 December 2019 | 21,817 | 566 | 22,383 |
| **Accumulated amortisation** | | | |
| 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 |
| At 1 January 2018 | 16,397 | 44 | 16,441 |
| Amortisation for the year (Note 8) | 920 | 8 | 928 |
| At 31 December 2018 | 17,317 | 52 | 17,369 |
| **Net carrying amount** | | | |
| At 31 December 2019 | 3,557 | 506 | 4,063 |
| At 31 December 2018 | 4,500 | 514 | 5,014 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 20. Intangible assets (cont'd)

| **Company** | **Corporate club membership RM'000** |
|---|---|
| **Cost** | |
| At 1 January 2018/31 December 2018/31 December 2019 | 215 |
| **Accumulated amortisation** | |
| At 1 January 2019 | 14 |
| Amortisation for the year (Note 8) | 3 |
| At 31 December 2019 | 17 |
| At 1 January 2018 | 11 |
| Amortisation for the year (Note 8) | 3 |
| At 31 December 2018 | 14 |
| **Net carrying amount** | |
| At 31 December 2019 | 198 |
| At 31 December 2018 | 201 |

Mining rights

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

## 21. Investment in subsidiaries

| **Company** | **2019 RM'000** | **2018 RM'000** |
|---|---|---|
| Unquoted shares, at cost | 148,681 | 148,681 |

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

| **Name of subsidiaries** | **Country of incorporation** | **Principal activities** | **Proportion of ownership interest held by the Group^** | | **Proportion of ownership interest held by non-controlling interests^** | |
|---|---|---|---|---|---|---|
| | | | **2019** | **2018** | **2019** | **2018** |
| **Held by the Company:** | | | % | % | % | % |
| Malaysia Smelting Corporation (Warehousing) Sdn. Bhd. ("MSCW")* | Malaysia | Tin warehousing | 100 | 100 | - | - |
| Rahman Hydraulic Tin Sdn. Bhd. ("RHT")* | Malaysia | Tin mining | 100 | 100 | - | - |

## 21. Investment in subsidiaries (cont'd)

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest held by the Group^ | | Proportion of ownership interest held by non-controlling interests^ | |
|---|---|---|---|---|---|---|
| | | | 2019 | 2018 | 2019 | 2018 |
| **Held by the Company:** | | | % | % | % | % |
| 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 | - | - |
| **Held through subsidiaries:** | | | | | | |
| **Held by RHT** | | | | | | |
| SL Tin Sdn. Bhd. ("SL Tin")*** | Malaysia | Tin mining | 80# | 80# | 20 | 20 |
| **Held by SRM** | | | | | | |
| PT SRM Indonesia ("PT SRM")*** | Indonesia | Dormant | 99# | 99# | 1 | 1 |

^ equals to the proportion of voting rights held
* Audited by Ernst & Young, Malaysia
** Audited by member firm of Ernst & Young Global in the respective country
*** Audited by firms of auditors other than Ernst & Young
\# Indirect interest

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

## 22. Investments in associate and joint venture

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Investment in associate** | | | | |
| **In Malaysia:** | | | | |
| Unquoted shares, at cost | 10,473 | 10,473 | 10,473 | 10,473 |
| Share of post-acquisition reserves | 14,967 | 16,799 | - | - |
| | 25,440 | 27,272 | 10,473 | 10,473 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

| | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| **Investment in joint venture** | | | | |
| **In Malaysia:** | | | | |
| Unquoted shares, at cost | 8,193 | 8,193 | 8,193 | 8,193 |
| Share of post-acquisition reserves | 3,909 | 5,881 | - | - |
| | 12,102 | 14,074 | 8,193 | 8,193 |
| Accumulated impairment losses | (7,106) | (6,202) | - | - |
| | 4,996 | 7,872 | 8,193 | 8,193 |
| **Total investments in associate and joint venture** | 30,436 | 35,144 | 18,666 | 18,666 |

### (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* 2019 % | Proportion of ownership interest* 2018 % | Accounting model applied |
|---|---|---|---|---|---|
| **Held by the Company:** | | | | | |
| 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.

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:

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Non-current assets | 18,101 | 22,402 |
| Current assets | 51,520 | 52,765 |
| Total assets | 69,621 | 75,167 |
| | | |
| Non-current liabilities | 728 | 649 |
| Current liabilities | 5,292 | 6,337 |
| Total liabilities | 6,020 | 6,986 |
| Net assets | 63,601 | 68,181 |

**22. Investments in associate and joint ventures (cont'd)**

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

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

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Revenue | 77,360 | 82,468 |
| (Loss)/Profit before tax | (4,659) | 1,398 |
| (Loss)/Profit for the year | (4,478) | 371 |
| Other comprehensive income | (79) | 522 |
| Total comprehensive income | (4,557) | 893 |

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

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Net assets at 31 December | 63,601 | 68,181 |
| Interest in associate | 40% | 40% |
| Carrying value of Group's interest in associate | 25,440 | 27,272 |

**(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* 2019 % | 2018 % | Nature of relationship | Accounting model applied |
|---|---|---|---|---|---|
| **Held by the Company:** | | | | | |
| 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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

An impairment loss of RM904,000 (2018: RM185,000) was recognised in profit or loss of the Group in respect of the Group's investment in KMR. The recoverable amount was derived based on management's estimate of fair value less costs to sell.

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:

| | **2019 RM'000** | **2018 RM'000** |
|---|---|---|
| Non-current assets | 33,717 | 22,262 |
| Cash and cash equivalents | 7,576 | 24,302 |
| Other current assets | 208 | 1,640 |
| Total current assets | 7,784 | 25,942 |
| Total assets | 41,501 | 48,204 |
| Trade and other payables and provisions, representing total current liabilities | - | 532 |
| Non-current liabilities (excluding trade and other payables and provisions), representing total non-current liabilities | 1,160 | 759 |
| Total liabilities | 1,160 | 1,291 |
| Net assets | 40,341 | 46,913 |

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

| | **2019 RM'000** | **2018 RM'000** |
|---|---|---|
| Interest income | 133 | 85 |
| (Loss)/Profit before tax | (10,811) | 328 |
| (Loss)/Profit after tax | (10,811) | 328 |
| (Loss)/Profit after tax - attributable to owners of the Company | (7,536) | 520 |
| Other comprehensive income | 964 | 855 |
| Total comprehensive income | (6,572) | 1,375 |

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

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

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

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Net assets at 31 December | 40,341 | 46,913 |
| Interest in joint venture | 30% | 30% |
| | 12,102 | 14,074 |
| Accumulated impairment losses | (7,106) | (6,202) |
| Carrying value of Group's interest in joint venture | 4,996 | 7,872 |

## 23. Investment securities

| Group and Company | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| **Equity securities** | | |
| Quoted investments | 9,762 | 14,505 |

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

| Group and Company | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| At fair value through other comprehensive income | | |
| - Equity securities (quoted) | | |
| - Asian Mineral Resources Limited ("AMR") | 295 | 166 |
| - Alphamin Resources Corp. ("Alphamin") | 9,467 | 14,339 |
| | 9,762 | 14,505 |

AMR 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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 24. Other non-current assets

| Group | Deferred mine exploration and evaluation expenditures RM'000 | Mine properties RM'000 | Total RM'000 |
|---|---|---|---|
| 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 | 11,117 | 2,714 | 13,831 |
| At 1 January 2018 | 9,614 | 4,831 | 14,445 |
| Additions | 642 | - | 642 |
| Amortisation to profit or loss (Note 8) | - | (1,046) | (1,046) |
| At 31 December 2018 | 10,256 | 3,785 | 14,041 |

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

## 25. Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| Deferred tax (assets)/ liabilities | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| At 1 January | (7,575) | (5,884) | 285 | (140) |
| Recognised in profit or loss (Note 13) | 1,597 | (2,992) | (7,205) | 1,499 |
| Recognised in other comprehensive income (Note 13) | 855 | 1,301 | 27 | (1,074) |
| Payment for real property gains tax | (2,422) | - | - | - |
| At 31 December | (7,545) | (7,575) | (6,893) | 285 |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (9,457) | (11,853) | (6,893) | - |
| Deferred tax liabilities | 1,912 | 4,278 | - | 285 |
| | (7,545) | (7,575) | (6,893) | 285 |

**25. Deferred tax (cont'd)**

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

**Deferred tax liabilities**

| | Property, plant and equipment RM'000 | Fair value changes on derivative financial instruments RM'000 | Other temporary differences RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| 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 | 7,459 | 67 | - | 7,526 |
| At 1 January 2018 | 6,700 | 90 | 1,101 | 7,891 |
| Recognised in profit or loss | 888 | 45 | - | 933 |
| Recognised in other comprehensive income | 2,402 | - | (1,101) | 1,301 |
| At 31 December 2018 | 9,990 | 135 | - | 10,125 |
| **Company** | | | | |
| 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 | 6,384 | 67 | - | 6,451 |
| At 1 January 2018 | 5,118 | 90 | 1,101 | 6,309 |
| Recognised in profit or loss | 1,374 | 45 | - | 1,419 |
| Recognised in other comprehensive income | 27 | - | (1,101) | (1,074) |
| At 31 December 2018 | 6,519 | 135 | - | 6,654 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**25. Deferred tax (cont'd)**

**Deferred tax assets**

| | Unutilised tax losses and unabsorbed capital allowances RM'000 | Unutilised reinvestment allowance RM'000 | Receivables RM'000 | Other provisions RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| 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 | (4,895) | (1,991) | (168) | (8,017) | (15,071) |
| At 1 January 2018 | (2,600) | - | (168) | (11,007) | (13,775) |
| Recognised in profit or loss | 2,062 | (2,241) | - | (3,746) | (3,925) |
| At 31 December 2018 | (538) | (2,241) | (168) | (14,753) | (17,700) |
| **Company** | | | | | |
| At 1 January 2019 | (538) | (2,241) | (168) | (3,422) | (6,369) |
| Recognised in profit or loss | (4,357) | 250 | - | (2,868) | (6,975) |
| At 31 December 2019 | (4,895) | (1,991) | (168) | (6,290) | (13,344) |
| At 1 January 2018 | (2,600) | - | (168) | (3,681) | (6,449) |
| Recognised in profit or loss | 2,062 | (2,241) | - | 259 | 80 |
| At 31 December 2018 | (538) | (2,241) | (168) | (3,422) | (6,369) |

## 26. Inventories

| | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| **At cost:** | | | | |
| Inventories of tin-in-concentrates, tin-in-process and refined tin metal | 68,057 | 444,758 | 72,101 | 449,194 |
| Other inventories (stores, spares, fuels, coal and saleable by-products) | 10,619 | 8,148 | 6,456 | 5,630 |
| | 78,676 | 452,906 | 78,557 | 454,824 |
| **At net realisable value:** | | | | |
| Inventories of tin-in-concentrates, tin-in-process and refined tin metal | 388,767 | 11,256 | 388,767 | 11,256 |
| | 467,443 | 464,162 | 467,324 | 466,080 |

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

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 during the year.

The cost of inventories recognised as an expense in cost of sales is RM826,536,000 (2018: RM1,132,466,000) for the Group and RM956,393,000 (2018: RM1,201,330,000) for the Company.

## 27. Trade receivables

| | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Third parties | 14,376 | 21,621 | 14,374 | 21,620 |
| Associate | - | 404 | - | 404 |
| | 14,376 | 22,025 | 14,374 | 22,024 |
| Allowance for impairment | | | | |
| - Third parties | (700) | (700) | (700) | (700) |
| Trade receivable, net | 13,676 | 21,325 | 13,674 | 21,324 |
| Add: **Other receivables excluding GST recoverable** (Note 28) | 1,156 | 660 | 28,840 | 21,403 |
| Add: **Cash and bank balances** (Note 31) | 35,738 | 37,033 | 20,188 | 18,017 |
| **Total financial assets carried at amortised cost** | 50,570 | 59,018 | 62,702 | 60,744 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 27. Trade receivables (cont'd)

### Credit risk

The Group's and the Company's normal trade credit terms range from cash term to 90 days (2018: from cash term to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Other information on credit risk are disclosed in Note 40(d).

### Amount due from an associate

These are unsecured and subject to the Group's and the Company's normal credit terms which range from cash term to 90 days (2018: from cash term to 90 days) where interest rate of 5% (2018: 5%) per annum is charged.

Further details on related party transactions are disclosed in Note 39.

Other information on financial risks of trade receivables are disclosed in Note 40.

The aging analysis of trade receivables is as follows:

| | Gross RM'000 | Allowance for impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **Group** | | | |
| **At 31 December 2019** | | | |
| 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 |
| | 820 | 700 | 120 |
| Total | 14,376 | 700 | 13,676 |
| **At 31 December 2018** | | | |
| Not past due | 21,222 | - | 21,222 |
| Past due: | | | |
| Less than 30 days | - | - | - |
| 30 to 60 days | 72 | - | 72 |
| 61 to 90 days | - | - | - |
| 91 to 120 days | 3 | - | 3 |
| More than 120 days | 728 | 700 | 28 |
| | 803 | 700 | 103 |
| Total | 22,025 | 700 | 21,325 |

**27. Trade receivables (cont'd)**

| | Gross RM'000 | Allowance for impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **Company** | | | |
| **At 31 December 2019** | | | |
| 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 |
| | 820 | 700 | 120 |
| Total | 14,374 | 700 | 13,674 |
| **At 31 December 2018** | | | |
| Not past due | 21,221 | - | 21,221 |
| Past due: | | | |
| Less than 30 days | - | - | - |
| 30 to 60 days | 72 | - | 72 |
| 61 to 90 days | - | - | - |
| 91 to 120 days | 3 | - | 3 |
| More than 120 days | 728 | 700 | 28 |
| | 803 | 700 | 103 |
| Total | 22,024 | 700 | 21,324 |

**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 RM2,805,000 (2018: RM 3,478,000) 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 RM120,000 (2018: RM103,000) that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are mostly due from creditworthy customers.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 27. Trade receivables (cont'd)

**Receivables that are impaired**

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

| | Group/Company Individually impaired | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| Trade receivables-nominal amounts | 700 | 700 |
| Less: Allowance for impairment | (700) | (700) |
| | - | - |

Movement in the allowance accounts:

| | Group/Company | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| At 1 January/31 December | 700 | 700 |

## 28. Other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Current** | | | | |
| Third parties | 117 | 233 | 54 | 183 |
| Subsidiaries | - | - | 27,889 | 24,116 |
| Joint venture | 1 | 1 | 1 | 1 |
| | 118 | 234 | 27,944 | 24,300 |
| Allowance for impairment | | | | |
| - Subsidiary | - | - | - | (3,632) |
| | 118 | 234 | 27,944 | 20,668 |
| Deposits | 1,038 | 426 | 896 | 735 |
| GST recoverable | 1,839 | 7,074 | 1,747 | 6,070 |
| Total other receivables | 2,995 | 7,734 | 30,587 | 27,473 |
| Less: GST recoverable | (1,839) | (7,074) | (1,747) | (6,070) |
| **Total other receivables excluding GST recoverable** | 1,156 | 660 | 28,840 | 21,403 |

## 28. Other receivables (cont'd)

**Amounts due from subsidiaries**

These are unsecured and repayable on demand and include advances amounting to RM27,867,000 (2018: RM24,095,000) where interest rates ranging from 3.0% to 4.0% (2018: 3.0% to 4.0%) per annum is charged.

Further details on related party transactions are disclosed in Note 39.

Other information on financial risks of other receivables are disclosed in Note 40.

**Receivables that are impaired**

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

| | Company Individually impaired | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Other receivables-nominal amounts | - | 3,632 |
| Less: Allowance for impairment | - | (3,632) |
| | - | - |

Movement in the allowance accounts:

| | 12-month ECL allowance RM'000 | Lifetime ECL allowance RM'000 | Total allowance RM'000 |
|---|---|---|---|
| **Group** | | | |
| At 1 January 2018 | 5,061 | 11,649 | 16,710 |
| Reversal of impairment losses (Note 10) | - | (2,906) | (2,906) |
| Written off | (5,061) | (8,743) | (13,804) |
| At 31 December 2018/ 1 January 2019/ 31 December 2019 | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 28. Other receivables (cont'd)

**Receivables that are impaired (cont'd)**

| | 12-month ECL allowance RM'000 | Lifetime ECL allowance RM'000 | Total allowance RM'000 |
|---|---|---|---|
| **Company** | | | |
| 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 2018 | 5,061 | 26,188 | 31,249 |
| Reversal of impairment losses (Note 10) | - | (13,813) | (13,813) |
| Written off | (5,061) | (8,743) | (13,804) |
| At 31 December 2018 | - | 3,632 | 3,632 |

At the reporting date, the Company has reversed an allowance of RM3,632,000 (2018: RM10,907,000) of the advances to a subsidiary due to recovery/recoverable of debts.

## 29. Trade prepayments

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| **Group and Company** | | |
| Trade prepayments | 5,636 | 18,969 |

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

## 30. Derivative financial instruments

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

| | Group | | Company | |
|---|---|---|---|---|
| | Assets RM'000 | Liabilities RM'000 | Assets RM'000 | Liabilities RM'000 |
| **At 31 December 2019** | | | | |
| Forward currency contracts | 1,078 | 994 | 1,078 | - |
| Forward tin contracts | - | 797 | - | 797 |
| | 1,078 | 1,791 | 1,078 | 797 |

**30. Derivative financial instruments (cont'd)**

| | Group Assets RM'000 | Group Liabilities RM'000 | Company Assets RM'000 | Company Liabilities RM'000 |
|---|---|---|---|---|
| **At 31 December 2019 (cont'd)** | | | | |
| Analysed as: | | | | |
| Current | 1,078 | 1,791 | 1,078 | 797 |
| Non-current | - | - | - | - |
| **At 31 December 2018** | | | | |
| Forward currency contracts | 561 | 303 | 561 | - |
| Analysed as: | | | | |
| Current | 561 | - | 561 | - |
| Non-current | - | 303 | - | - |

(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.

(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 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 |

**30. Derivative financial instruments (cont'd)**

**(i) Forward currency contracts not designated as hedges (cont'd)**

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.

**(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.

**30. Derivative financial instruments (cont'd)**

**(ii) Forward tin contracts not designated as hedges (cont'd)**

**At 31 December 2018**

**Forward currency contracts not designated as hedges**

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

| Sell USD | Range of maturity period | Average exchange rate RM/USD |
|---|---|---|
| USD18,480,000 | From January 2019 to April 2019 | 4.1716 |

A fair value gain of RM561,000 with a deferred tax expense of RM135,000 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 RM303,000 in respect of these contracts has been recognised in profit or loss.

**31. Cash, bank balances and deposits**

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Cash on hand and at banks | 8,933 | 8,316 | 3,602 | 3,900 |
| Deposits of up to three months maturity with licensed banks | 26,805 | 28,717 | 16,586 | 14,117 |
| Cash, bank balances and deposits/Cash and cash equivalents | 35,738 | 37,033 | 20,188 | 18,017 |

Deposits are made for varying periods of between 1 day and 3 months (2018: between 1 day and 1 month) 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 2019 for the Group and the Company were 2.9% (2018: 2.8%) and 2.6% (2018: 2.6%) per annum, respectively.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 32. Non-current assets classified as held for sale

In December 2018, the Company entered into Sale and Purchase agreements to dispose of 3 units of office premises at Jalan Yap Kwan Seng, Kuala Lumpur, for a total cash consideration of RM4,795,320. The sale was completed in May 2019.

The assets and liabilities classified as held for sale and the related asset's revaluation reserves as at 31 December 2018 are as follows:

| Group and Company | Note | 2018 RM'000 |
|---|---|---|
| **Assets:** | | |
| Property, plant and equipment | a | 4,663 |
| **Liabilities:** | | |
| Payables | | 63 |
| **Reserves:** | | |
| Revaluation reserves | | 2,012 |

<u>Note a</u>
Property, plant and equipment classified as held for sale comprise the following:

| | RM'000 |
|---|---|
| Property, plant and equipment (Note 16) | 4,600 |
| Cost to sell | 63 |
| | 4,663 |

## 33. Provisions

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Provision for mine restoration | 28,110 | 26,509 | - | - |
| Provision for voluntary separation compensation | 15,000 | - | 15,000 | - |
| Provision for environmental waste removal | - | 2,400 | - | - |
| | 43,110 | 28,909 | 15,000 | - |
| Analysed as: | | | | |
| Current | 15,458 | 2,744 | 15,000 | - |
| Non-current | 27,652 | 26,165 | - | - |

## 33. Provisions (cont'd)

**Provision for mine restoration**

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| At 1 January | 26,509 | 28,184 |
| Provision/(Reversal) during the year | 404 | (2,670) |
| Unwinding of discount on provision (Note 11) | 1,197 | 995 |
| At 31 December | 28,110 | 26,509 |
| Current | 458 | 344 |
| Non-current: | | |
| Later than 1 year but not later than 2 years | 449 | 339 |
| Later than 2 years but not later than 5 years | 15,346 | 3,159 |
| Later than 5 years | 11,857 | 22,667 |
| | 27,652 | 26,165 |
| | 28,110 | 26,509 |

**Provision for voluntary separation compensation**

| | Group and Company | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| At 1 January | - | - |
| Provision during the year (Note 9) | 15,000 | - |
| At 31 December | 15,000 | - |

**Provision for environmental waste removal**

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| At 1 January | 2,400 | 2,400 |
| Utilisation during the year | (1,558) | - |
| Reversal during the year (Note 7) | (842) | - |
| At 31 December | - | 2,400 |

### (a) Provision for mine restoration

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

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

The Group has engaged an external consultant specialising in mine rehabilitation to carry out an assessment on the mine restoration plan ("MRP 2017") which was resubmitted to the relevant authorities in year 2017. The Group 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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 33. Provisions (cont'd)

### (a) Provision for mine restoration (cont'd)

In January 2019, the Group applied for the extension of mining leases by surrendering the existing mining leases and applying for new mining leases. In November 2019, the Group has obtained approval from the authority to extend the mining leases to year 2034.

In February 2020, a meeting between the Group and the relevant authority was held to discuss on the submission of the mine restoration plan. The Group is required to prepare and submit a new mine restoration plan under the newly issued and approved mining leases obtained in November 2019. The new mine restoration plan is to be submitted to the relevant authority within two years and all data, specifications, methods and costs of the existing MRP 2017 can be used for the preparation of the new mine restoration plan.

### (b) Provision for voluntary separation compensation

The provision for voluntary separation compensation mainly comprises of employee termination costs and other related costs. It 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. The payment of the compensation is expected to begin in Q2 2020 until 31 December 2020 or such other period that the Company deems appropriate.

### (c) Provision for environmental waste removal

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

The waste removal was completed during the year and the overprovision amounting to RM842,000 was reversed accordingly.

## 34. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| **Short term borrowings** | | | | |
| Unsecured: | | | | |
| Short term trade financing | 1,769 | 2,732 | 1,769 | 2,732 |
| Bankers' acceptances/ Trust receipts | 185,143 | 239,106 | 185,143 | 239,106 |
| Revolving credit | 30,000 | 2,000 | 30,000 | 2,000 |
| Term loan | 49,259 | - | - | - |
| | 266,171 | 243,838 | 216,912 | 243,838 |
| **Long term borrowings** | | | | |
| Unsecured: | | | | |
| Term loan | - | 49,177 | - | - |
| **Total borrowings** | 266,171 | 293,015 | 216,912 | 243,838 |

**34. Borrowings (cont'd)**

**Short term trade financing**

Short term trade financing bears interest rate of 2.7% (2018: 3.2%) per annum.

**Bankers' acceptances/ Trust receipts**

Bankers' acceptances/ Trust receipts bear interest rates which range from 3.7% to 4.0% (2018: 4.1% to 4.7%) per annum.

**Revolving credit**

Revolving credit bears interest rate of 5.3% (2018: 5.4%) per annum.

**Term loan**

The term loan is denominated in Singapore Dollar and repayable in one lump sum at maturity on 19 November 2020. The effective interest rate for the term loan is 4.2% (2018: 4.2%) per annum.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| On demand or within one year | 266,171 | 243,838 | 216,912 | 243,838 |
| More than 1 year and less than 2 year | - | 49,177 | - | - |
| | 266,171 | 293,015 | 216,912 | 243,838 |

Other information on financial risks on borrowings are disclosed in Note 40.

**35. Trade and other payables**

| | Note | Group 2019<br>RM'000 | Group 2018<br>RM'000 | Company 2019<br>RM'000 | Company 2018<br>RM'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Loan from immediate holding company | a | 73,461 | - | 73,461 | - |
| **Current** | | | | | |
| **Trade payables** | | | | | |
| Third parties | b | 19,582 | 11,984 | 15,038 | 8,268 |
| Subsidiaries | c | - | - | 12,071 | 11,883 |
| | | 19,582 | 11,984 | 27,109 | 20,151 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35. Trade and other payables (cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Other payables** | | | | | |
| Third parties | d | 15,913 | 57,885 | 13,387 | 14,134 |
| Immediate holding company | a | | | | |
| - Loan | | - | 73,461 | - | 73,461 |
| - Others | | 1,358 | 945 | 1,358 | 945 |
| Subsidiaries | c | - | - | 18,955 | 51,209 |
| | | 17,271 | 132,291 | 33,700 | 139,749 |
| Advance from customers | | 5,176 | 4,138 | 5,176 | 4,138 |
| Accruals | | 11,877 | 17,930 | 7,865 | 13,349 |
| GST payable | | 2,462 | - | - | - |
| | | 36,786 | 154,359 | 46,741 | 157,236 |
| **Total trade and other payables (current)** | | 56,368 | 166,343 | 73,850 | 177,387 |
| Less: GST payable | | (2,462) | - | - | - |
| **Total trade and other payables (current) excluding GST payable** | | 53,906 | 166,343 | 73,850 | 177,387 |
| Total trade and other payables (current and non-current) excluding GST payable | | 127,367 | 166,343 | 147,311 | 177,387 |
| Add: **Borrowings** (Note 34) | | 266,171 | 293,015 | 216,912 | 243,838 |
| **Total financial liabilities carried at amortised cost** | | 393,538 | 459,358 | 364,223 | 421,225 |

### (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% (2018: 3.8%) per annum. The loan is expected to be repaid in 2021.

### (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 (2018: from cash to 60 days).

**35. Trade and other payables (cont'd)**

**(c) Amounts due to subsidiaries**

These are unsecured and repayable on demand and include advances amounting to RM19.72 million (2018: RM52.00 million) where interest rates ranging from 3.2% to 3.3% (2018: 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 (2018: from cash to 90 days).

Further details on related party transactions are disclosed in Note 39.

Other information on financial risks of trade and other payables are disclosed in Note 40.

**36. Share capital**

| | **Number of ordinary shares '000** | **Amount RM'000** |
|---|---|---|
| **Issued and fully paid** | | |
| **Company** | | |
| At 1 January 2018 | 100,000 | 174,666 |
| Split shares | 100,000 | - |
| Issuance of ordinary shares pursuant to bonus issue | 200,000 | 25,334 |
| At 31 December 2018/ 1 January 2019/ 31 December 2019 | 400,000 | 200,000 |

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

During the financial year ended 31 December 2018, the number of ordinary shares of the Company were increased from 100,000,000 to 400,000,000 by way of:

i. 100,000,000 ordinary shares were subdivided into 200,000,000 subdivided ordinary shares ("Split Shares"); and

ii. 200,000,000 new Split Shares ("Bonus Shares") were issued.

Bonus Issue of 200,000,000 new ordinary shares, credited as fully paid-up share capital on the basis of 1 bonus share for every 1 split share through capitalisation of the share premium (transferred to the share capital account) and retained earnings of the Company of RM25,334,000.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 37. 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 |
|---|---|---|---|---|---|
| **At 1 January 2019** | 5,569 | 1,015 | (2,113) | 1,706 | 6,177 |
| **Other comprehensive income:** | | | | | |
| 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 |
| | 2,708 | 258 | (4,743) | - | (1,777) |
| **At 31 December 2019** | 8,277 | 1,273 | (6,856) | 1,706 | 4,400 |

| Group | Revaluation reserves RM'000 | Foreign currency translation reserves RM'000 | FVOCI reserves RM'000 | Other reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 1 January 2018** | 37,186 | 1,273 | 3,486 | 1,706 | 43,651 |
| **Other comprehensive income:** | | | | | |
| Revaluation reserves on property, plant and equipment, net | 32,902 | - | - | - | 32,902 |
| Net fair value changes in quoted investments at FVOCI | - | - | (5,599) | - | (5,599) |
| Share of an associate's revaluation reserves on property, plant and equipment | (102) | - | - | - | (102) |
| Foreign currency translation | - | (1) | - | - | (1) |
| Realisation of foreign currency translation reserves to profit or loss upon write off of the investment in an associate | - | (825) | - | - | (825) |
| Share of foreign currency translation of an associate and a joint venture | - | 568 | - | - | 568 |
| | 32,800 | (258) | (5,599) | - | 26,943 |
| Transfer of revaluation reserves to retained earnings | (62,405) | - | - | - | (62,405) |
| Reserves of non-current assets classified as held for sale (Note 32) | (2,012) | - | - | - | (2,012) |
| **At 31 December 2018** | 5,569 | 1,015 | (2,113) | 1,706 | 6,177 |

**37. Other reserves (non-distributable) (cont'd)**

| | Revaluation reserves RM'000 | FVOCI reserves RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **At 1 January 2019** | 1,320 | (2,113) | (793) |
| **Other comprehensive income:** | | | |
| 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) |
| **At 31 December 2019** | 1,405 | (6,856) | (5,451) |

| | Revaluation reserves RM'000 | FVOCI reserves RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **At 1 January 2018** | 8,476 | 3,486 | 11,962 |
| **Other comprehensive income:** | | | |
| Revaluation reserves on property, plant and equipment, net | (1,865) | - | (1,865) |
| Net fair value changes in quoted investments at FVOCI | - | (5,599) | (5,599) |
| | (1,865) | (5,599) | (7,464) |
| Transfer of revaluation reserves to retained earnings | (3,279) | - | (3,279) |
| Reserves of non-current assets classified as held for sale (Note 32) | (2,012) | - | (2,012) |
| **At 31 December 2018** | 1,320 | (2,113) | (793) |

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.

## 37. Other reserves (non-distributable) (cont'd)

### (c) Fair value through other comprehensive income ("FVOCI") reserves

The account records the cumulative fair value changes of investment securities until they are derecognised.

## 38. Commitments and contingency

### Capital commitments

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Capital expenditure: | | | | |
| Approved and contracted for: | | | | |
| - Property, plant and equipment | 16,361 | 16,394 | 12,648 | 16,359 |
| Approved but not contracted for: | | | | |
| - Property, plant and equipment | 1,518 | 459 | - | 391 |
| - Deferred mine exploration and evaluation expenditures | 80 | 80 | - | - |
| | 1,598 | 539 | - | 391 |

**Operating lease arrangements - The Group and the Company as lessee of properties (applicable prior to 1 January 2019)**

As at 31 December 2018, the Group and the Company have entered into operating lease arrangements for the use of properties. These operating leases have remaining non-cancellable lease terms of up to 2 years and have renewal options.

The future aggregate minimum lease payments under operating lease contracted for as at the financial year end but not recognised as liabilities are as follows:

| | Group and Company 2018 RM'000 |
|---|---|
| Not later than one year | 192 |
| Later than one year but not later than two years | 156 |
| | 348 |

Refer to Note 2.2 for details of the accounting policy applicable prior to 1 January 2019 and the new accounting policy applicable from 1 January 2019 under MFRS 16 Leases.

**38. Commitments and contingency (cont'd)**

**Legal claim**

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 is currently fixed on 24 August 2020. The estimated liability is approximately RM54.6 million as at 31 December 2019 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 respective case management and hearing for the strike out have been fixed on 30 July 2020.

In the Directors' opinion, disclosure of additional information about the above matter would be prejudicial to the interests of the Group.

**39. 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 | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|
| **Group** | | | |
| Associate: | | | |
| - Sales of products | (i) | 39,888 | 43,459 |
| - Interest income | (ii) | 10 | 178 |
| Immediate holding company: | | | |
| - Loan received | (iii) | - | 73,461 |
| - Interest expense | | 2,965 | 843 |
| Director: | | | |
| - Legal fee charges | (iv) | 46 | 31 |
| - Purchase of motor vehicle | (v) | 465 | - |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 39. Related party disclosures (cont'd)

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

| | Note | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|
| **Company** | | | |
| Subsidiaries: | | | |
| - Purchase of buildings, plant and machinery | | - | 31,876 |
| - Purchases of products | (vi) | 165,652 | 183,546 |
| - Interest income | (ii) | 742 | 1,575 |
| - Management fee income | | 1,800 | 1,800 |
| - Advances given | (vii) | 5,036 | 23,405 |
| - Advances received | (iii) | 36,400 | 50,500 |
| - Rental and service charge (including security services) | | 4,746 | 1,796 |
| - Interest expense | | 2,132 | 3,037 |
| Associate: | | | |
| - Sales of products | (i) | 39,888 | 43,459 |
| - Interest income | (ii) | 10 | 178 |
| Immediate holding company: | | | |
| - Loan received | (iii) | - | 73,461 |
| - Interest expense | | 2,965 | 843 |
| Director: | | | |
| - Legal fee charges | (iv) | - | 31 |
| - 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 Redring Solder (M) Sdn. Bhd., M Smelt (C) Sdn. Bhd. and MSC Properties Sdn. Bhd. Further details are disclosed in Notes 27 and 28 respectively.

(iii) Loan/Advances received from immediate holding company and a subsidiary are subject to interest as disclosed in Notes 35(a) and 35(c) respectively.

(iv) Legal 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) Advances given to certain subsidiaries are subject to interest as disclosed in Note 28.

## 39. Related party disclosures (cont'd)

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 and 2019 are disclosed in Notes 27, 28, and 35.

### (b) Compensation of key management personnel

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Short term employee benefits | 5,276 | 4,370 | 4,299 | 3,634 |
| Post-employment benefits: | | | | |
| - Defined contribution plan | 621 | 501 | 485 | 394 |
| | 5,897 | 4,871 | 4,784 | 4,028 |

Included in the total compensation of key management personnel was:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Directors' fees (Note 8) | 501 | 470 | 480 | 470 |

## 40. 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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

**(a) Interest rate risk (cont'd)**

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

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit or loss net of tax through the impact on interest income from bank deposits and interest expense on floating rate borrowings at the reporting date:

| | Increase (+)/ Decrease (-) in basis point | Group (Decrease)/ Increase in profit net of tax RM'000 | Company (Decrease)/ Increase in profit net of tax RM'000 |
|---|---|---|---|
| **At 31 December 2019** | | | |
| - Malaysian Ringgit | +25 | (360) | (379) |
| | -25 | 360 | 379 |
| - United States Dollar | +25 | (2) | (2) |
| | -25 | 2 | 2 |
| **At 31 December 2018** | | | |
| - Malaysian Ringgit | +25 | (407) | (434) |
| | -25 | 407 | 434 |
| - 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.

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

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

At the reporting date, approximately:

(i) 92% (2018: 95%) of the Group's trade and other receivables (excluding GST recoverable) as well as 5% (2018: 7%) of the Group's current and non-current trade and other payables (excluding GST payable) are denominated in foreign currencies, mainly in United States Dollar.

(ii) 7% (2018: 8%) of the Group's cash and bank deposits are denominated in foreign currencies, mainly in United States Dollar.

(iii) 19% (2018: 18%) of the Group's borrowings are denominated in Singapore Dollar and United States Dollar.

**Forward currency contracts not designated as hedges**

A net gain of RM84,000 (2018: a net gain of RM258,000) with a deferred tax expense of RM258,000 (2018: a deferred tax expense of RM135,000) in respect of the forward currency contracts were recognised in profit or loss (see Note 30).

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:

| | | **2019** | | **2018** | |
|---|---|---|---|---|---|
| | | **(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** |
| USD/RM | strengthened by 5% | (1,818) | (1,818) | (2,465) | (2,465) |
| | weakened by 5% | 1,818 | 1,818 | 2,465 | 2,465 |
| SGD/RM | strengthened by 5% | 359 | 359 | 66 | 66 |
| | weakened by 5% | (359) | (359) | (66) | (66) |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 40. 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 |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| **Financial liabilities:** | | | | | |
| Non-derivative | | | | | |
| Borrowings | 34 | 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 | 35 | 53,906 | 73,461 | - | 127,367 |
| Lease liabilities | 18(b) | 6,936 | 3,015 | 169 | 10,120 |
| Derivative | | | | | |
| Forward currency contracts | 30 | 994 | - | - | 994 |
| Forward tin contracts | 30 | 797 | - | - | 797 |
| **Total undiscounted financial liabilities** | | **335,180** | **77,652** | **179** | **413,011** |

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

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

| Group | Note | Within 1 year RM'000 | 1 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| **Financial liabilities:** | | | | | |
| Non-derivative | | | | | |
| Borrowings | 34 | 243,838 | 49,177 | - | 293,015 |
| Interest payable on borrowings | | 2,355 | 1,845 | - | 4,200 |
| Interest payable on loan from immediate holding company | | 1,051 | - | - | 1,051 |
| Trade and other payables | 35 | 166,343 | - | - | 166,343 |
| Derivative | | | | | |
| Forward currency contracts | 30 | - | 303 | - | 303 |
| **Total undiscounted financial liabilities** | | **413,587** | **51,325** | **-** | **464,912** |

| Company | Note | Within 1 year RM'000 | 1 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| **Financial liabilities:** | | | | | |
| Non-derivative | | | | | |
| Borrowings | 34 | 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 | 35 | 73,850 | 73,461 | - | 147,311 |
| Lease liabilities | 18(b) | 201 | 732 | 169 | 1,102 |
| Derivative | | | | | |
| Forward tin contracts | 30 | 797 | - | - | 797 |
| **Total undiscounted financial liabilities** | | **296,455** | **75,251** | **179** | **371,885** |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

| Company | Note | Within 1 year RM'000 | 1 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| **Financial liabilities:** | | | | | |
| Non-derivative | | | | | |
| Borrowings | 34 | 243,838 | - | - | 243,838 |
| Interest payable on advances from a subsidiary | | 1,663 | - | - | 1,663 |
| Interest payable on borrowings | | 290 | - | - | 290 |
| Interest payable on loan from immediate holding company | | 1,051 | - | - | 1,051 |
| Trade and other payables | 35 | 177,387 | - | - | 177,387 |
| **Total undiscounted financial liabilities** | | **424,229** | **-** | **-** | **424,229** |

### (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.

**40. 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 2019

**40. 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.

During the financial year, the Group and the Company did not make any write-offs of trade and other receivables. The Group and the Company do not expect to receive future cash flows from and no recoveries from collection of cash flows previously written off.

<u>Exposure to credit risk</u>

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

The Group has a concentration of credit risk that may arise from exposure to a single debtor which constitutes approximately 31.8% (2018: 42.7%) 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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Group** | **RM'000** | **% of total** | **RM'000** | **% of total** |
| By country: | | | | |
| Germany | 4,342 | 29 | 9,109 | 41 |
| China, Hong Kong and Taiwan | 3,595 | 24 | 460 | 2 |
| Japan | 2,751 | 19 | 6,543 | 30 |
| Korea | 2,695 | 18 | 3,356 | 15 |
| Malaysia | 1,198 | 8 | 1,197 | 6 |
| Switzerland/ United Kingdom | 196 | 1 | 704 | 3 |
| Belgium | - | - | 293 | 1 |
| Countries in Africa | - | - | 121 | 1 |
| Others | 55 | 1 | 202 | 1 |
| | 14,832 | 100 | 21,985 | 100 |

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

**(d) Credit risk (cont'd)**

| **Company** | **2019 RM'000** | **2019 % of total** | **2018 RM'000** | **2018 % of total** |
|---|---|---|---|---|
| By country: | | | | |
| Malaysia | 28,880 | 68 | 21,939 | 51 |
| Germany | 4,342 | 10 | 9,109 | 21 |
| China, Hong Kong and Taiwan | 3,595 | 8 | 460 | 1 |
| Japan | 2,751 | 7 | 6,543 | 15 |
| Korea | 2,695 | 6 | 3,356 | 8 |
| Switzerland/ United Kingdom | 196 | 1 | 704 | 2 |
| Belgium | - | - | 293 | 1 |
| Countries in Africa | - | - | 121 | - |
| Others | 55 | - | 202 | 1 |
| | 42,514 | 100 | 42,727 | 100 |

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

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 27. 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 27 and 28.

**(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 RM797,000 (2018: RM Nil) with a deferred tax benefit of RM191,000 (2018: RM Nil) in respect of the forward tin contracts were recognised in profit or loss (see Note 30).

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**40. 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:

| | | 2019 Increase/ (Decrease) in equity RM'000 | 2018 Increase/ (Decrease) in equity RM'000 |
|---|---|---|---|
| Share price | increased by 5% | 488 | 725 |
| | decreased by 5% | (488) | (725) |

**(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.

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

### (g) Capital management (cont'd)

| | Group 2019 RM'000 | Group 2018 RM'000 |
|---|---|---|
| Share capital | 200,000 | 200,000 |
| Other reserves | 4,400 | 6,177 |
| Retained earnings | 164,505 | 139,807 |
| Reserves of non-current assets classified as held for sale (Note 32) | - | 2,012 |
| Total shareholders' equity | 368,905 | 347,996 |
| Non-controlling interests | 289 | 290 |
| Total equity | 369,194 | 348,286 |
| Bank borrowings (Note 34) | 266,171 | 293,015 |
| Loan from immediate holding company (Note 35(a)) | 73,461 | 73,461 |
| Total borrowings | 339,632 | 366,476 |
| Gearing ratio (total borrowings over total equity) | 0.9 | 1.1 |
| Gearing ratio (bank borrowings over total equity) | 0.7 | 0.8 |

## 41. Fair value of assets and liabilities

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

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

| | Date of valuation | Quoted prices in active markets for identical instruments (Level 1) RM'000 | Significant other observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2019** | | | | | |
| **Assets measured at fair value:** | | | | | |
| Investment securities (Note 23) - Equity instruments (quoted) | 31.12.2019 | 9,762 | - | - | 9,762 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

| | Date of valuation | Quoted prices in active markets for identical instruments (Level 1) RM'000 | Significant other observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2019** | | | | | |
| **Assets measured at fair value (cont'd):** | | | | | |
| 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 30) | | | | | |
| - Forward currency contracts | 31.12.2019 | - | 1,078 | - | 1,078 |
| | | 9,762 | 1,078 | 50,128 | 60,968 |
| **Liabilities measured at fair value:** | | | | | |
| Derivative financial liabilities (Note 30) | | | | | |
| - Forward currency contracts | 31.12.2019 | - | 994 | - | 994 |
| - Forward tin contracts | 31.12.2019 | 797 | - | - | 797 |
| | | 797 | 994 | - | 1,791 |

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

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

| | Date of valuation | Quoted prices in active markets for identical instruments (Level 1) RM'000 | Significant other observable inputs (Level 2) RM'000 | Significant unobservable inputs (Level 3) RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2018** | | | | | |
| **Assets measured at fair value:** | | | | | |
| Investment securities (Note 23) | | | | | |
| - Equity instruments (quoted) | 31.12.2018 | 14,505 | - | - | 14,505 |
| Revalued freehold land and buildings (Note 16) | | | | | |
| - Land and buildings in Pulau Indah Industrial Park | 31.12.2018 | - | - | 40,471 | 40,471 |
| - 80 units flats in Bukit Mertajam | 31.12.2018 | - | - | 4,496 | 4,496 |
| - Land and buildings in Daerah Hulu Perak | 31.12.2018 | - | - | 2,572 | 2,572 |
| Derivative financial assets (Note 30) | | | | | |
| - Forward currency contracts | 31.12.2018 | - | 561 | - | 561 |
| | | 14,505 | 561 | 47,539 | 62,605 |
| **Liabilities measured at fair value:** | | | | | |
| Derivative financial liabilities (Note 30) | | | | | |
| - Forward currency contracts | 31.12.2018 | - | 303 | - | 303 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 41. 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 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **At 31 December 2019** | | | | | |
| **Assets measured at fair value:** | | | | | |
| Investment securities (Note 23) | | | | | |
| - 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 30) | | | | | |
| - Forward currency contracts | 31.12.2019 | - | 1,078 | - | 1,078 |
| | | 9,762 | 1,078 | 13,506 | 24,346 |
| **Liabilities measured at fair value:** | | | | | |
| Derivative financial liabilities (Note 30) | | | | | |
| - Forward tin contracts | 31.12.2019 | 797 | - | - | 797 |

**41. 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 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **At 31 December 2018** | | | | | |
| **Assets measured at fair value:** | | | | | |
| Investment securities (Note 23) | | | | | |
| - Equity instruments (quoted) | 31.12.2018 | 14,505 | - | - | 14,505 |
| Revalued buildings (Note 16) | | | | | |
| - Buildings in Pulau Indah Industrial Park | 31.12.2018 | - | - | 9,013 | 9,013 |
| - 80 units flats in Bukit Mertajam | 31.12.2018 | - | - | 4,496 | 4,496 |
| Derivative financial assets (Note 30) | | | | | |
| - Forward currency contracts | 31.12.2018 | - | 561 | - | 561 |
| | | 14,505 | 561 | 13,509 | 28,575 |

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 2019

**41. 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 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2019** | | | | | |
| 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 RM335,000. |
| **At 31 December 2018** | | | | | |
| Revalued land and buildings (Note 16) | 47,539 | Market comparable approach/ Depreciated replacement cost | Difference in location, size, scheme and feature | -15.0% to 25.0% | Every 1% increase or (decrease) in the adjustments would result in (decrease) or increase in fair value by RM355,000. |

**41. 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 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 | 306 | 29,900 | 19,922 |
| At 1 January 2018 | 36,669 | 24,670 | 28,189 |
| Additions | 7,461 | - | - |
| Transferred from capital work-in-progress | - | - | 3,158 |
| Revaluation surplus/(deficit) | 34,602 | 2,938 | (4,042) |
| Reclassified from prepaid land lease payments | 228 | - | - |
| Reclassified to land held for development | (78,654) | - | - |
| Reclassified to non-current assets classified as held for sale | - | - | (4,600) |
| Depreciation charge for the year | - | (308) | (2,772) |
| At 31 December 2018 | 306 | 27,300 | 19,933 |

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 2019.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

**(b) Fair value of assets and liabilities by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments whose carrying amounts are reasonable approximation of fair value:

| | Note |
|---|---|
| Trade receivables (current) | 27 |
| Other receivables (current) | 28 |
| Borrowings (current) | 34 |
| Borrowings (non-current) | 34 |
| Trade and other payables (current and non-current) | 35 |

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.

**42. 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.

**42. Segmental information (cont'd)**

**Business segments**

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

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

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

| | Note | Tin smelting RM'000 | Tin mining RM'000 | Others RM'000 | (Eliminations)/ Adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Revenue** | | | | | | |
| 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 |
| **Results** | | | | | | |
| (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 |
| **Assets** | | | | | | |
| 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 |
| **Liabilities** | | | | | | |
| Segment liabilities | | 406,306 | 48,679 | 81 | - | 455,066 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 42. 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 |
|---|---|---|---|---|---|---|
| **Other segment information** | | | | | | |
| Additions of non-current assets | | | | | | |
| - Property, plant and equipment | 16 | 11,975 | 3,394 | - | - | 15,369 |
| - Other non-current assets | 24 | - | 861 | - | - | 861 |
| Provision for voluntary separation 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) |

| | Note | Tin smelting RM'000 | Tin mining RM'000 | Others RM'000 | (Eliminations)/ Adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| **Revenue** | | | | | | |
| Sales to external customers | | 1,280,906 | - | - | - | 1,280,906 |
| Inter-segment sales | | - | 183,546 | - | (183,546) | - |
| Total revenue | | 1,280,906 | 183,546 | - | (183,546) | 1,280,906 |
| **Results** | | | | | | |
| Profit/(Loss) from operations | | 26,738 | 39,131 | (34) | (923) | 64,912 |
| Reversal of impairment losses/ (Impairment losses) | | 2,906 | - | (185) | - | 2,721 |
| Finance costs | | (16,501) | (995) | (662) | - | (18,158) |
| Share of results of associate and joint venture | | - | - | 304 | - | 304 |
| Profit/(Loss) before tax | | 13,143 | 38,136 | (577) | (923) | 49,779 |
| Income tax (expense)/credit | | (2,902) | (12,805) | - | 222 | (15,485) |
| Profit/(Loss) net of tax | | 10,241 | 25,331 | (577) | (701) | 34,294 |
| **Assets** | | | | | | |
| Segment assets | | 723,612 | 73,164 | 14,517 | (3,578) | 807,715 |
| Investments in associate and joint venture | | - | - | 35,144 | - | 35,144 |
| Total assets | | 723,612 | 73,164 | 49,661 | (3,578) | 842,859 |

**42. 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 |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Segment liabilities | | 416,361 | 78,154 | 58 | - | 494,573 |
| **Other segment information** | | | | | | |
| Additions of non-current assets | | | | | | |
| - Property, plant and equipment | 16 | 15,901 | 2,085 | 4 | - | 17,990 |
| - Other non-current assets | 24 | - | 642 | - | - | 642 |
| Depreciation expenses | 8 | 9,094 | 6,330 | 2 | - | 15,426 |
| Amortisation of prepaid land lease payments | 8 | 21 | 6 | - | - | 27 |
| Amortisation of mining rights | 8 | - | 920 | - | - | 920 |
| Amortisation of corporate club memberships | 8 | 3 | 5 | - | - | 8 |
| Amortisation of mine properties | 8 | - | 1,046 | - | - | 1,046 |
| Interest income | 6 | (935) | (88) | - | - | (1,023) |

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 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Realised/ (Unrealised) profit from inter-segment sales | 383 | (923) |

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

| | Group 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Unrealised profit arising from inter-segment sales | (3,288) | (3,578) |

**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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 42. Segmental information (cont'd)

### Information about major customers

Revenue from two major customers amounted to RM134,827,000 and RM123,244,000 (2018: two major customers amounted to RM226,462,000 and RM149,219,000), arising from sales by the tin smelting segment.

## 43. Subsequent events

The following events occurred subsequent to the end of the financial year ended 31 December 2019:

i. Voluntary Separation Scheme ("VSS")

On 7 February 2020, the Company announced an internal restructuring exercise, i.e. a VSS affecting approximately 550 employees at the Butterworth smelter, following the impending relocation to its new smelting facility in Pulau Indah, Port Klang. Official notification has been given to all affected employees to prepare them for the transition.

ii. Impact of the Coronavirus ("COVID-19") outbreak

The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Group, the impact on business operations has not been a direct consequence of the COVID-19 outbreak, but a result of the measures taken by the Government of Malaysia to contain it. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy. The occurrence of the COVID-19 outbreak is not an adjusting post balance sheet event.

Up to the date the financial statements are authorised for issue, the Group and the Company have seen a significant impact of COVID-19 outbreak on the Group's and the Company's revenue, earnings, cash flows and financial condition. The Group and the Company noted that the Group's and the Company's revenue for the 3-month period ended 31 March 2020 has decreased materially due to reductions in production, workplace disruption and disruptions in supply chains.

The Group's and the Company's smelting and mining operations were impacted by the Movement Control Order ("MCO") which took effect on 18 March 2020. The Group's and the Company's smelting and mining operations recommenced on a staggered basis upon approval by the Ministry of International Trade and Industry ("MITI") on 4 April 2020 and 18 April 2020 respectively, with 50% of production capacity. On 28 April 2020, both the smelting and mining operations resumed full operations at 100% production capacity.

**43. Subsequent events (cont'd)**

ii. Impact of the Coronavirus ("COVID-19") outbreak (cont'd)

At this juncture, it is not possible to estimate the full impact of the outbreak's short-term and longer-term effects or the Government's varying efforts to combat the outbreak and support businesses. This being the case, the Group and the Company noted a significant risk that the judgements and assumptions such as gross margins, discount rates, commodity price and foreign exchange rate fluctuations applied in:

- estimating the net realisable value of tin inventories as disclosed in Note 3(c); and
- calculation of value-in-use for the purpose of impairment assessments for both the smelting and mining cash-generating-unit

would need to be revised in the next financial year which may result in a material adjustment to the carrying amounts of the Group's and the Company's land and building, land held for development, and investments in subsidiaries.

The Group and the Company will continue to monitor the development of these events and implement timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

**44. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 19 June 2020.

# LIST OF PROPERTIES OF THE GROUP
31 DECEMBER 2019

| Location | Description | Approximate area | Tenure | Year of expiry | Approximate age of buildings | Net carrying amount at 31.12.19 RM'000 | Date of last revaluation |
|---|---|---|---|---|---|---|---|
| **MALAYSIA** | | | | | | | |
| 1. Lot 6, 8 & 9<br>Jalan Perigi Nanas 6/1<br>Pulau Indah Industrial Park<br>West Port, Port Klang<br>42920 Pulau Indah<br>Selangor | Land with offices and factory buildings | 48,725 sq. m | Leasehold | 2097 | 18 years | 43,060 | 31.12.2019 |
| 2. Taman Desa Palma, Alma, 14000 Bukit Mertajam | 80 units of flats | 52,000 sq. ft. | Freehold | – | 19 years | 4,496 | 31.12.2019 |
| 3. Mukim Pengkalan Hulu<br>Daerah Hulu Perak | | | | | | | |
| (a) Lot 344 & 348 | Land with buildings | 3.78 hectares | Freehold | – | over 50 years | 336 | 31.12.2019 |
| (b) Lot 2071, PT 3934, 4338, 4522 & 4523 | Land with buildings | 7.02 hectares | Leasehold | 2068-2112 | 38 to over 50 years | 1,084 | 31.12.2019 |
| (c) PT 1705, 1706 & 1707 | 3 units of terrace houses | 417 sq. m | Leasehold | 2108 | 9 years | 525 | 31.12.2019 |
| (d) Lot 55671 and 55675 | 2 units of semi-detached houses | 526 sq. m | Freehold | – | 6 years | 600 | 31.12.2019 |
| 4. Mukim Belukar Semang<br>Daerah Hulu Perak | | | | | | | |
| (a) Lot 1886 | Vacant land | 0.4 hectares | Freehold | – | – | 23 | 31.12.2019 |
| (b) PT 725, 726, 727 | Land with buildings | 7.01 hectares | Leasehold | 2022 | – | 4 | 31.12.2019 |
| 5. Lots 20514 -20517<br>(formerly Plot 1, 2, 3, 4)<br>Seksyen 4<br>Bandar Butterworth,<br>Daerah Seberang<br>Perai Utara,<br>Pulau Pinang | For future development | 557,022 sq. ft. | Freehold | – | – | 78,654 | 30.09.2018 |

# ANALYSIS OF SHAREHOLDINGS
as at 3 JUNE 2020

| | |
|---|---|
| No. of Issued Shares | : 400,000,000 Ordinary Shares |
| Class of Shares | : Ordinary Shares |
| Voting Rights | : One (1) vote per Ordinary Shares |

**ANALYSIS BY SIZE OF SHAREHOLDINGS**

| Size of Shareholdings | No. of Shareholders | % | No. of Shares Held | % |
|---|---|---|---|---|
| less than 100 | 14 | 0.36 | 286 | 0.00 |
| 100 to 1,000 | 633 | 16.26 | 455,332 | 0.11 |
| 1,001 to 10,000 | 1,764 | 45.31 | 9,034,486 | 2.26 |
| 10,001 to 100,000 | 1,212 | 31.13 | 40,898,660 | 10.23 |
| 100,001 to less than 5% of issued shares | 267 | 6.86 | 146,168,036 | 36.54 |
| 5% and above of issued shares | 3 | 0.08 | 203,443,200 | 50.86 |
| **TOTAL** | 3,893 | 100.00 | 400,000,000 | 100.00 |

**DIRECTORS' SHAREHOLDINGS**

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Directors | 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 | 139,000 | 0.03 | 397,000 *1 | 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 3 JUNE 2020

## 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. | Leong Kok Tai | 6,429,200 | 1.61 |
| 6. | Neoh Choo Ee & Company, Sdn. Berhad | 6,000,000 | 1.50 |
| 7. | Cartaban Nominees (Tempatan) Sdn. Bhd. for ICapital.Biz Berhad | 5,180,400 | 1.30 |
| 8. | Lim Khoon | 4,005,200 | 1.00 |
| 9. | Quarry Lane Sdn. Bhd. | 3,440,000 | 0.86 |
| 10. | Lee Pin | 3,317,100 | 0.83 |
| 11. | Lim Kian Siong | 3,294,000 | 0.82 |
| 12. | UOB Kay Hian Nominees (Asing) Sdn. Bhd.<br>Exempt an for UOB Kay Hian Pte. Ltd. | 3,233,600 | 0.81 |
| 13. | Au Yong Mun Yue | 2,310,000 | 0.58 |
| 14. | Y K Toh Property Sdn. Bhd. | 2,272,000 | 0.57 |
| 15. | Public Nominees (Tempatan) Sdn. Bhd. for Ng Faai @ Ng Yoke Pei | 2,059,000 | 0.51 |
| 16. | Dynaquest Sdn. Bhd. | 2,012,000 | 0.50 |
| 17. | Tan Lee Hwa | 1,972,000 | 0.49 |
| 18. | Chua Ah Moi @ Chua Sai Peng | 1,869,900 | 0.47 |
| 19. | Kuek Siaw Kia @ Quek Shiew Poh | 1,670,000 | 0.42 |
| 20. | Lim Kian Siong | 1,652,000 | 0.41 |
| 21. | Toh Yew Keong | 1,640,000 | 0.41 |
| 22. | 2G Capital Pte. Ltd. | 1,600,000 | 0.40 |
| 23. | Chew Gek Khim | 1,600,000 | 0.40 |
| 24. | Phillip Securities Pte. Ltd. | 1,554,400 | 0.39 |
| 25. | Ng Poh Cheng | 1,477,700 | 0.37 |
| 26. | CGS-CIMB Nominees (Tempatan) Sdn. Bhd.<br>Exempt an for CGS-CIMB Securities (Singapore) Pte. Ltd. | 1,268,000 | 0.32 |
| 27. | CGS-CIMB Securities (Singapore) Pte. Ltd. | 1,226,136 | 0.31 |
| 28. | Liew Ben Poh | 1,200,000 | 0.30 |
| 29. | Yeoh Ah Tu | 1,200,000 | 0.30 |
| 30. | Redring Solder (Malaysia) Sdn. Bhd. | 1,160,000 | 0.29 |

# ANALYSIS OF SHAREHOLDINGS
as at 3 JUNE 2020

### LIST OF SUBSTANTIAL SHAREHOLDERS

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Substantial Shareholders | No. of Shares Held | % | No. of Shares Held | % |
| The Straits Trading Company Limited | 112,360,000 | 28.09 | 107,023,200*1 | 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*2 | 54.85 |
| The Cairns Pte. Ltd. | – | – | 219,383,200*2 | 54.85 |
| Tecity Pte. Ltd. | – | – | 219,383,200*2 | 54.85 |
| Raffles Investments Pte. Ltd. | – | – | 219,383,200*2 | 54.85 |
| Aequitas Pte. Ltd. | – | – | 219,383,200*2 | 54.85 |
| Dr. Tan Kheng Lian | – | – | 219,383,200*3 | 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.*

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