MALAYSIA SMELTING CORPORATION BERHAD
197801006055 (43072-A)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2019

197801006055 (43072-A)

Malaysia Smelting Corporation Berhad
(Incorporated in Malaysia)

Corporate information

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Malaysia Smelting Corporation Berhad
(Incorporated in Malaysia)

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' 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.

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

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

We, Chew Gek Khim and Dato' Dr. Ir. Yong Mian Thong, being two of the directors of Malaysia Smelting Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 132 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
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lam Hoi Khong, being the officer primarily responsible for the financial management of Malaysia Smelting Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 132 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

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Independent auditors' report to the members of
Malaysia Smelting Corporation Berhad
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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 16 to 132.

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.

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 (cont'd)

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 (cont'd)

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

Malaysia Smelting Corporation Berhad
(Incorporated in Malaysia)

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.

Malaysia Smelting Corporation Berhad
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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.

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Malaysia Smelting Corporation Berhad
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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
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

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Statements of financial position
as at 31 December 2019 (cont'd)

	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.

Malaysia Smelting Corporation Berhad
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Statements of changes in equity for the financial year ended 31 December 2019

		← Attributable to owners of the Company →									
			← Non-distributable →						Distributable	Non-distributable	
Group	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
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

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Statements of changes in equity
for the financial year ended 31 December 2019 (cont'd)

		Attributable to owners of the Company									
			Non-distributable						Distributable	Non-distributable	
Group	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
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

Statements of changes in equity for the financial year ended 31 December 2019 (cont'd)

	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

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Statements of changes in equity
for the financial year ended 31 December 2019 (cont'd)

		←	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.

Malaysia Smelting Corporation Berhad
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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

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Statements of cash flows
for the financial year ended 31 December 2019 (cont'd)

	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

Statements of cash flows
for the financial year ended 31 December 2019 (cont'd)

	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	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**

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Statements of cash flows
for the financial year ended 31 December 2019 (cont'd)

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

2019	Carrying amount as at 1 January 2019 RM'000	Cash flows RM'000	← Non-cash changes → 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.

**Notes to the financial statements
for the financial year ended 31 December 2019**

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.

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

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:

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.

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.

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.

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.

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.

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.

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.

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.

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

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

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.

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.

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.

2.30 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)

2.30 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.

2.31 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.

2.32 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.

2.33 Contingencies

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

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

3. Significant accounting judgements and estimates

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

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	Company 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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 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

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

13. Income tax expense

Major components of income tax expense

The major components of income tax expense are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 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

15. Dividends

	2019 RM'000	2018 RM'000	Net dividend per ordinary share 2019 sen	Net dividend per ordinary share 2018 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

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

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

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

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

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	2018	2019	2018
	RM'000	RM'000	RM'000	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

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 %	Proportion of ownership interest* 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

<u>Note (a)</u>

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.

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.

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

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		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**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		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**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

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

<u>Receivables that are neither past due nor impaired</u>

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.

<u>Receivables that are past due but not impaired</u>

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.

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 RM'000	2018 RM'000
Trade receivables-nominal amounts	700	700
Less: Allowance for impairment	(700)	(700)
	-	-

Movement in the allowance accounts:

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

28. Other receivables

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 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	-	-	-

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		Company	
	Assets RM'000	**Liabilities RM'000**	**Assets RM'000**	**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.

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

Note a
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.

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 RM'000	2018 RM'000	2019 RM'000	2018 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 RM'000	2018 RM'000	2019 RM'000	2018 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 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 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

35. Trade and other payables (cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 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.

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)

Company	Revaluation reserves RM'000	FVOCI reserves RM'000	Total RM'000
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)

Company	Revaluation reserves RM'000	FVOCI reserves RM'000	Total RM'000
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	-

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.

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)

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**

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.

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

<u>Financial assets that are neither past due nor impaired</u>

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.

<u>Financial assets that are either past due or impaired</u>

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).

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

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)

Group	Date of valuation	Quoted prices in active markets for identical instruments (Level 1) RM'000	Significant other observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
At 31 December 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

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

<u>Fair value hierarchy</u>

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)

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.

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

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)

2018	Note	Tin smelting RM'000	Tin mining RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
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	Group 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	Group 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.

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.