

MALAYSIA SMELTING CORPORATION BERHAD (“MSC” OR THE “COMPANY”)

PROPOSED ACQUISITION BY RAHMAN HYDRAULIC TIN SDN BHD (“RHT”), A WHOLLY OWNED SUBSIDIARY OF MSC, OF THE ENTIRE EQUITY INTEREST IN ASAS BAIDURI SDN BHD (“ABSB”) (“PROPOSED ACQUISITION”)

1. INTRODUCTION

On behalf of the Board of Directors of MSC (“**Board**”), Kenanga Investment Bank Berhad (“**Kenanga IB**”) wishes to announce that RHT, a wholly-owned subsidiary of MSC, had on 3 June 2022 entered into a conditional sale and purchase agreement with Tin International Sdn Bhd (“**TISB**”) for the Proposed Acquisition (“**SPA**”).

In conjunction with the Proposed Acquisition, MSC and RHT, had on 3 June 2022, entered into a shareholders agreement with TISB to govern the rights, duties, liabilities and obligations to each other as shareholders in relation to the operation of RHT upon completion of the Proposed Acquisition (“**Shareholders Agreement**”).

Please see **Appendix I** of this Announcement for salient terms of the SPA and **Appendix II** of this Announcement for salient terms of the Shareholders Agreement.

ABSB has been granted a mining lease over a parcel of land that is located adjacent to RHT’s mining land in the District of Hulu Perak, State of Perak. Due to the location of ABSB’s land, the Proposed Acquisition is expected to enable RHT to:

- (i) construct additional tailings ponds or storage and waste rock storage on ABSB’s land;
- (ii) expand its existing mining pit in Hulu Perak further eastward so that RHT will be able to mine additional tin resources within its own land; and
- (iii) mine the tin resources within ABSB’s land.

Further details of the Proposed Acquisition are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Proposed Acquisition

The Proposed Acquisition entails the acquisition by RHT of 250,000 ordinary shares in ABSB (“**ABSB Shares**”) (“**Sale Shares**”), representing the entire equity interest in ABSB, from TISB. The consideration for the Proposed Acquisition shall be 272,250 new ordinary shares in RHT (“**RHT Shares**”), representing approximately 20% of the enlarged share capital of RHT (“**Consideration Shares**”) (“**Purchase Consideration**”).

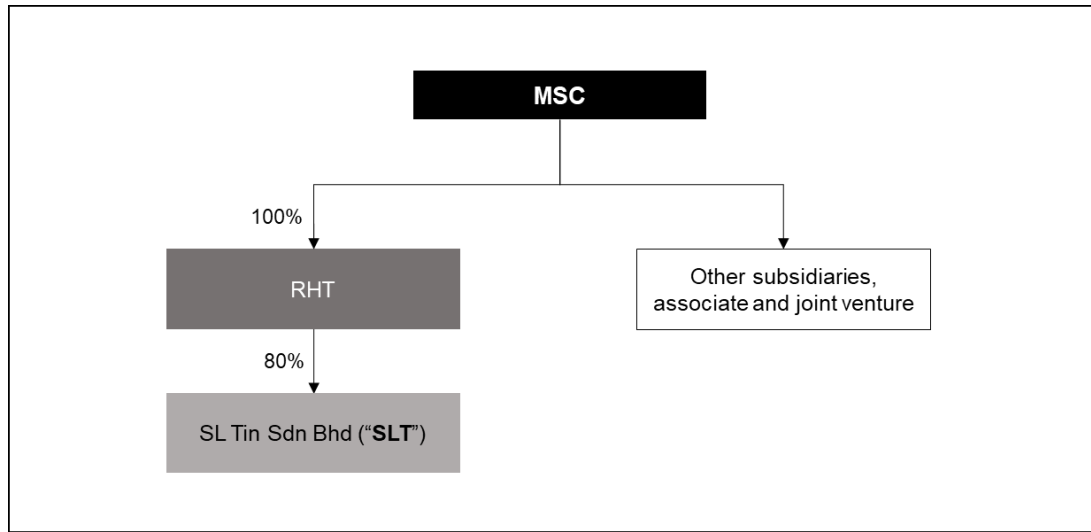
Subject to the terms and conditions of the SPA, the Sale Shares shall be acquired free from any encumbrances and together with all rights and advantage that attach (or may in future attach) to them.

Upon completion of the Proposed Acquisition:

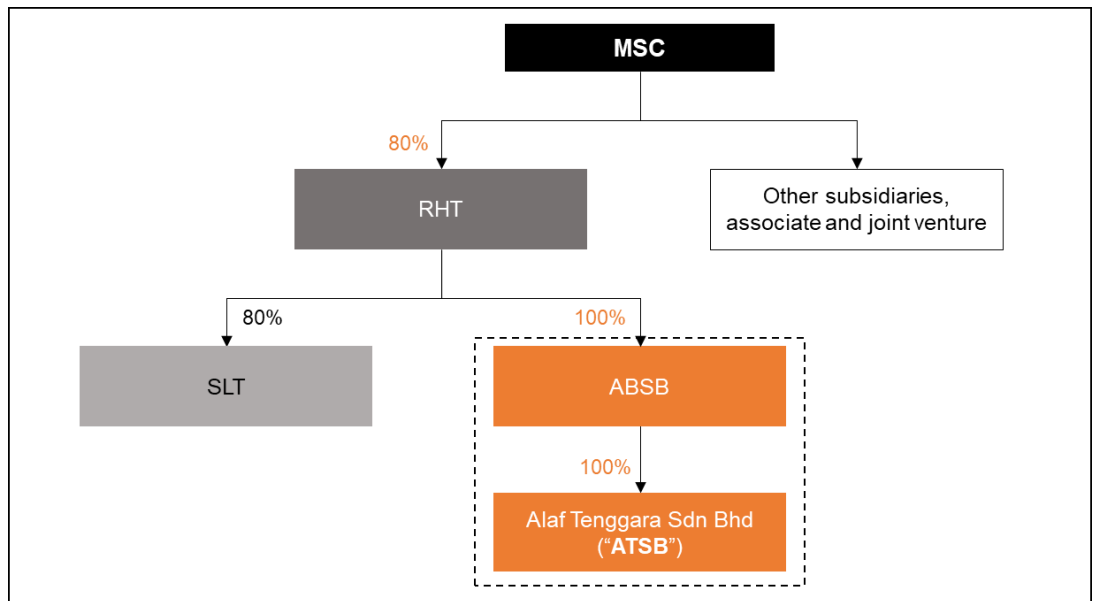
- (i) ABSB will become a wholly-owned subsidiary of RHT and form part of the MSC group of companies (“**MSC Group**” or “**Group**”); and
- (ii) RHT would cease to be a wholly-owned subsidiary of the Company and become a 80% owned subsidiary of the Company.

The group structure of MSC Group before and after the Proposed Acquisition is illustrated as follow:

Before the Proposed Acquisition



After the Proposed Acquisition



2.2 Information on RHT

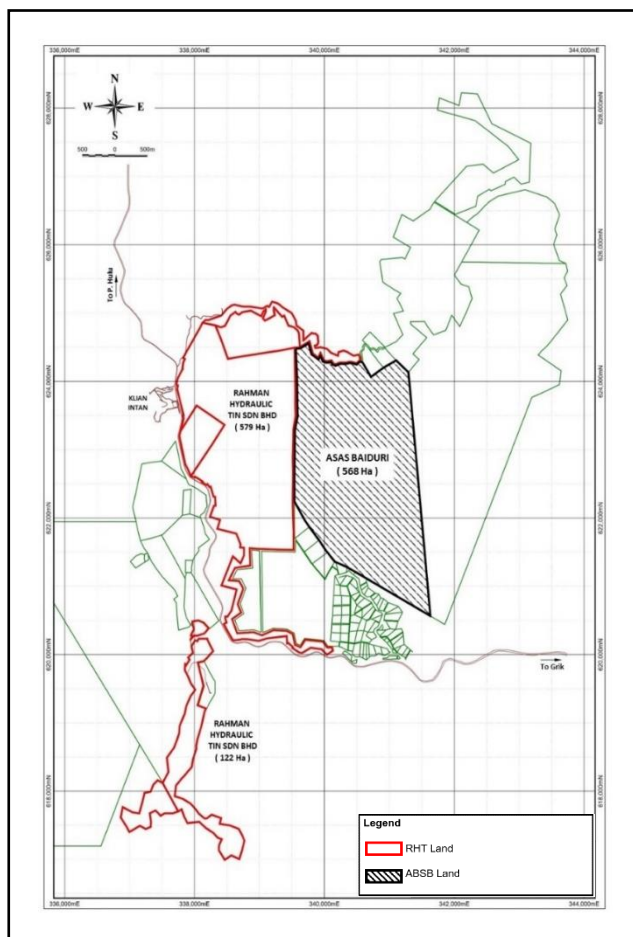
RHT is principally engaged in tin mining on 7 mining leases for an area measuring approximately 701 hectares in Klian, District of Hulu Perak, State of Perak (“**RHT Land**”) for a lease period of 15 years, commencing from 15 November 2019 until 11 November 2034.

Please refer to **Appendix IV** for further information on RHT.

2.3 Information on ABSB

ABSB is principally engaged in the business of mining and prospecting related activities and has been granted a mining lease over a parcel of land held under Lot No. 7864, Mukim Pengkalan Hulu, District of Hulu Perak, State of Perak measuring approximately 568.4 hectares (“**ABSB Land**”) for a lease period of 21 years, commencing from 8 June 2012 until 7 June 2033 (“**ABSB Mining Lease**”).

ABSB Land is located at the immediate east of RHT Land as illustrated below:



As at 30 May 2022, being the latest practicable date of this Announcement (“**LPD**”), ABSB is dormant.

Please refer to **Appendix V** for further information on ABSB.

2.4 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a “willing-buyer and willing-seller” basis, after taking into consideration, among others, the following:

- (i) the valuation range for the 1,088,999 RHT Shares of between RM664.5 million and RM721.4 million as at 28 February 2022, based on the independent valuation report prepared by PricewaterhouseCoopers Capital Sdn Bhd (“**PwC**”) (“**RHT Valuation Report**”). For avoidance of doubt the independent valuation does not involve any valuation or assessment on the ABSB Land. Please see **Appendix III** of this Announcement for salient features of the RHT Valuation Report;
- (ii) the latest available audited net assets of ABSB of RM153,408 as at 31 December 2020;

- (iii) the tin resources within RHT Land which are currently unavailable because of space constraints but would become mineable after the completion of the Proposed Acquisition (“**RHT Additional Resources**”).

Based on the technical report for ABSB Mining Lease dated 24 May 2022 prepared by Reynard Australia Pty Ltd (“**Reynard**”), a competent person appointed by the Company (“**Technical Report**”), the monetary value for the RHT Additional Resources is estimated to be about RM276 million before costs and RM184 million after allowance for mining costs (but no allowance for profit);

- (iv) the tin resources within the ABSB Land (“**ABSB Resources**”). Based on the Technical Report, the median monetary value for the inferred* ABSB Resources is estimated to be about RM92 million before costs and RM61 million after allowance for mining costs (but no allowance for profit);

Note:

* An “Inferred Mineral Resource” refers to a mineral resource whereby the quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling, pursuant to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. An estimate of the monetary value is provided in the Technical Report as a guide only and is not compliant with the Valmin Code 2015.

Please refer to **Appendix VI** of this Announcement for salient features of the Technical Report.

- (v) rationale and benefits of the Proposed Acquisition as detailed under **Section 3** of this Announcement; and
- (vi) prospects of the enlarged MSC Group upon completion of the Proposed Acquisition as detailed under **Section 4** of this Announcement.

2.5 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respect with the then existing RHT Shares. However, such Consideration Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, unless such Consideration Shares were allotted and issued on or before the entitlement date of such dividends, rights, allotments and/or other distributions.

The Consideration Shares will not be listed on Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

2.6 Liabilities to be assumed

Save for the obligations and liabilities of the Company or RHT arising from or in connection with the Proposed Acquisition, there are no other liabilities including contingent liabilities and/or guarantees to be assumed by the Company arising from the Proposed Acquisition.

2.7 Additional financial commitment

Save for the additional funding requirement as disclosed below, the Company does not expect to incur any other additional financial commitment in relation to the Proposed Acquisition:

- (i) clearing designated areas within ABSB Land for additional tailings ponds or storage and waste rock storage to complement the existing mine of RHT;
- (ii) extend RHT’s existing mining pit towards ABSB Land to mine tin resources currently inaccessible; and

(iii) further exploration and identification of tin resources within ABSB Land.

2.8 Information on TISB

TISB was incorporated in Malaysia on 17 February 2021 under the Companies Act 2016 (“Act”) as a private limited company.

As at the LPD, the issued share capital of TISB is RM1 comprising 1 ordinary share.

The sole director and shareholder of TISB is Zihanz Alymann bin Kamarul Zaman.

3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

RHT operates a hard rock open-pit mine at RHT Land, where tin ore is extracted from the earth and processed into tin-in-concentrates that are utilised as raw materials for the Group’s tin smelting activities.

RHT contributes more than 10% of the raw material for the Group’s tin smelting activities, while the remaining raw material are sourced from local artisanal tin miners and third-party tin mines outside of Malaysia, such as Australia and Africa.

The Group is also undertaking exploration activities to locate new tin ore resources within RHT Land as well as adjacent lands.

In view of the above, the Proposed Acquisition is expected to contribute positively to the operation and future performance of the enlarged MSC Group as:

(i) **ABSB Land provides new sites for additional tailings ponds or storage and waste rock storage**

A tailings pond is a pond used to store tailings, which are produced when mined ores are processed into a concentrate or a final product, whilst a waste rock storage is a designated area used to store mine residue that typically consists of rock, soil and other material displaced to access the ore body.

Appropriate tailings and waste rock storage/management is essential to minimise the impact of the mining residues to the environment.

As at the LPD, the suitably designated areas within RHT Land for tailings ponds or storage and waste rock storage have reached saturation levels for its existing mining operations.

Upon completion of the Proposed Acquisition, RHT is expected to be able to construct new tailings ponds or storage and waste rock storages to support and further extend the life of the existing mining operations of RHT.

(ii) **RHT is able to expand its mining pit further eastward to enable mining for RHT Additional Resources**

RHT has identified RHT Additional Resources towards eastern boundary of RHT Land (between RHT Land and ABSB Land). However, these resources are currently unavailable for mining due to space constraints for its current open-pit mining.

Upon completion of the Proposed Acquisition, RHT is expected to be able to expand its current mine pit eastward to ABSB Land, which in turn is expected to allow RHT to mine the RHT Additional Resources with inferred tin resources of 2,690 tonnes and monetary value of approximately RM184 million (after allowance for mining costs, but no allowance for profit), as ascribed by Reynard in the Technical Report.

(iii) RHT may be able to mine the ABSB Resources

After completion of the Proposed Acquisition, RHT is also expected to benefit from the potential tin resources within ABSB Land with inferred tin resources of up to 1,200 tonnes and monetary value of up to RM82 million (after allowance for mining costs, but no allowance for profit) on the prospective area within ABSB Land immediately east of RHT's mine pit, as ascribed by Reynard in the Technical Report.

Nevertheless, additional detailed exploration will be required to identify the full potential mineralisation within ABSB Land.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Overview of the Malaysian economy

The Malaysian economy improved in 2021, registering a growth of 3.1%. The recovery momentum in the early part of the year was affected by the reimposition of nationwide containment measures from June to September 2021, following a rapid resurgence of cases due to the Delta variant. However, unlike the movement restrictions in the second quarter of 2020, more essential economic sectors were allowed to operate, while businesses and households were better adapted to the containment measures and standard operating procedures. Notwithstanding this, some sectors, such as high-touch services, tourism related industries and construction, were slower to recover due to continued restrictions on movement and operating capacity. As these restrictions were eventually lifted in October 2021 amid rapid progress in domestic vaccinations, economic activities picked up and labour market conditions improved. The expansion in employment and subsequent increase in private sector wages contributed towards increased household spending. Private investment growth was supported by expansion in productive capacity, especially in the manufacturing sector, alongside higher capital spending by firms on automation and digitalisation. In addition, external demand also provided additional support to our economic growth in 2021.

The Malaysian economy is expected to improve further, with growth projected to be between 5.3% and 6.3% in 2022: The economic recovery is underpinned by the continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and further improvement in labour market conditions. In addition, the implementation of investment projects and targeted policy measures will provide further support to economic activity and aggregate demand.

(Source: Bank Negara Malaysia, Economic and Monetary Review 2021)

4.2 Global tin industry outlook

2021 saw refined tin production rebound from its pandemic lows, with the majority of global smelters – including many in the top ten – having a relatively “normal” year.

2021 – Top 10 refined tin producers

Refined tin production (tonnes)

Order	Company	2020	2021	Year-on-year change (%)
1	Yunnan Tin (China)	74,800	82,000	9.6
2	Minsur* (Peru)	25,075	31,843	27.0
3	PT Timah (Indonesia)	45,700	26,500	-42.0
4	Yunnan Chengfeng (China)	16,500	17,000	3.0
5	MSC (Malaysia)	22,400	16,400	-26.8
6	Thaisarco (Thailand)	11,300	12,100	7.1
7	EM Vinto (Bolivia)	7,100	12,100	70.4

2021 – Top 10 refined tin producers

Refined tin production (tonnes)

Order	Company	2020	2021	Year-on-year change (%)
8	Jiangxi New Nanshan (China)	10,100	11,600	14.9
9	Aurubis Beerse (Belgium)	9,000	9,800	8.9
10	Guangxi China Tin (China)	10,100	9,200	-8.9

Data: Provisional data reported to the International Tin Association and rounded to the nearest 100 tonnes.

Note:

* Includes production from Minsur's Brazilian subsidiary, Taboca.

Yunnan Tin maintained its position as the world's largest producer of refined tin, while others, such as EM Vinto, re-entered to top 10 list. As was well-publicised at the time, MSC were subject to strict COVID-19 regulations from the Malaysian government which saw its production fall significantly compared to 2020. Overall, global refined tin production is estimated to have reached 378,400 tonnes, up 11% on last year's total of 339,400 tonnes.

In 2021, these top 10 companies produced 59% of the world's tin, down from 67% in 2020. As previously mentioned, the part of the drop in the group's output can be attributed to the difficult year had by MSC. However, another significant decline in output from PT Timah – the second consecutive fall – also contributed.

International Tin Association does not expect further COVID-related issues and foresee production to continue rising in 2022, with some 4% growth forecast.

(Source: International Tin Association, "Global tin production rebounds in 2021")

4.3 Future prospects of the enlarged MSC Group

MSC Group is one of the world's leading integrated producer of tin metal and tin-based products. MSC Group's core business comprises upstream and downstream activities of the tin industry through its international tin smelting business and local tin mining operations. The Company also offers external toll smelting services whereby it smelts third-party tin ores from customers and is currently the world's largest custom toll smelter.

For MSC Group's upstream mining operations, it undertakes mining activities at Malaysia's largest hard rock open-pit tin mine located at Pengkalan Hulu, Perak through RHT. The Group also undertakes mining activities at Sungai Lembing, Pahang through SLT.

The Group has been focusing on boosting mining output through enhanced mechanisation and improved processes at RHT's mine. The average daily mining output expanded from 10 tonnes tin ore per day in 2020 to 11 tonnes per day in 2021.

Apart from the Group's mining activities, MSC Group also performs its smelting activities at 2 smelting plants located in Butterworth, Penang and Pulau Indah, Selangor. At these 2 facilities, MSC converts tin-bearing ores into high-purity refined tin metal.

The new Pulau Indah plant which came on-stream has the capacity to undertake smelting activities of up to 60,000 tonnes per annum, using oxygen enrichment. Equipped with the state-of-the-art smelting technology, the Group look forward to higher and more efficient production output, enabling the Group to fulfil increasing smelting orders from their customers. The Group targets to reach full capacity in 2022 for the Pulau Indah plant.

With the Proposed Acquisition, the Group is expected to realise the benefits as set out in **Section 3** of this Announcement, which include:

- (i) providing new sites for additional tailings ponds or storage and waste rock storage;
- (ii) access to RHT Additional Resources; and
- (iii) access to ABSB Resources.

Upon the completion of the Proposed Acquisition, the Group will:

- (i) conduct further studies to identify the suitable location within ABSB Land for the construction of additional tailings ponds or storage and waste storage; and
- (ii) seek the necessary approvals for the further exploration of RHT Additional Resources and ABSB Resources to confirm the areas of potential mineralisations.

Following the increase in tin prices in recent years, the prospects for the tin industry remain positive, buoyed by major technological advancements occurring around the globe. Tin is a critical element in the production of electronic goods due to the usage of tin solder in the binding of components.

Tin industry players across the supply chain, including MSC, are well positioned to ride on the technological boom spurred by the growing demand for 5G-related technologies, semiconductors, electronic appliances, solar photovoltaics and more prominently electric vehicles. Tin has been identified as a key component in increasing the capacity and life cycle of lithium-ion batteries. Coupled with the lack of substitutes for tin metal, these factors will continue to lift the demand for tin in the coming years.

5. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

5.1 Non-completion risk

The completion of the Proposed Acquisition is subject to, among others, the fulfilment of conditions precedent in the SPA. In the event that any of the conditions precedent is not fulfilled or waived within the stipulated time as set out in the SPA, the SPA shall lapse and hence, MSC will not be able to complete the Proposed Acquisition.

Notwithstanding the above, the Board and management shall use their best endeavours to ensure every effort is taken to ensure that the conditions precedent are fulfilled by the stipulated date.

5.2 Acquisition risk

The Proposed Acquisition is expected to be beneficial to the enlarged MSC Group. However, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that the enlarged MSC Group will be able to generate sufficient return from the Proposed Acquisition to offset the associated acquisition costs incurred and potential expenditures to be incurred.

However, the Board has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition and believes that the Proposed Acquisition will be value accretive to the enlarged MSC Group in the foreseeable future.

5.3 Estimation of tin resources is based on technical data and relevant assumptions

The Company has engaged the services of Reynard to prepare the Technical Report.

The process of estimating tin resources is complex, requiring interpretation of available technical data and assumptions made in a particular tin price environment. Any significant deviations from these interpretations, prices or assumptions could materially affect the estimated quantities of tin resources reported.

Further, understanding of the subsurface conditions is based on the interpretation of the best data available but due to uncertainty of such interpretation, the conclusion may be incorrect.

Pursuant thereto, there is no assurance that the estimates by Reynard will be accurate due to the aforementioned factors.

5.4 Exposure to mining and production risks

The result of further exploration and mining is uncertain and may involve unprofitable efforts, which may arise from limited tin mineralisation within the mining pit. There is also risk of cost overruns in exploration and/or mining of the RHT Additional Resources and/or ABSB Resources due to various factors such as unexpected mining conditions and equipment failures.

There can be no assurance that the above adverse operational factors will not materially and adversely affect the business and financial performance of the enlarged MSC Group.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition is not expected to have any effect on the issued share capital and shareholdings of the substantial shareholders of MSC as the Proposed Acquisition does not involve any issuance of new ordinary shares in MSC.

6.2 Net asset ("NA"), NA per share and gearing

The proforma effects of the Proposed Acquisition on the consolidated NA and gearing of MSC based on the audited consolidated statement of financial position as at 31 December 2021 and assuming that the Proposed Acquisition had been effected on that date, are set out below:

	Audited as at 31 December 2021	After Proposed Acquisition
	RM'000	RM'000
Share capital	237,194	237,194
Other reserves	57,517	57,517
Retained earnings	285,727	⁽³⁾ 366,277
Equity attributable to owners of MSC / NA	580,438	660,988
Non-controlling interests	203	⁽⁴⁾ 57,790
Total equity	580,641	718,778
Number of MSC shares in issue ('000)	420,000	420,000
NA per MSC share (RM) ⁽¹⁾	1.38	1.57
Borrowings	529,767	529,767
Gearing ratio (times) ⁽²⁾	0.91	0.80

Notes:

(1) Computed based on NA divided by the number of ordinary MSC shares in issue.

(2) Computed based on total borrowings divided by NA.

- (3) After taking into consideration the following:
- (i) the estimated expenses in relation to the Proposed Acquisition of about RM0.5 million; and
 - (ii) gain on dilution of interest in RHT of about RM81.0 million, representing the difference between the adjusted carrying amount of the non-controlling interests of the enlarged MSC Group and the fair value of the Consideration Shares.
- (4) After taking into consideration the non-controlling interest of about RM57.6 million arising from the Proposed Acquisition.

6.3 Earnings and earnings per share (“EPS”)

Following the issuance of the Consideration Shares, MSC’s interest in RHT will be reduced from 100% to 80%. Upon the completion of the Proposed Acquisition, although the Company will continue to consolidate future earnings from RHT in the consolidated statements of profit or loss of the MSC Group, a portion of future earnings from RHT will be attributable to the 20% non-controlling interest of RHT.

Nevertheless, barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the future earnings of the enlarged MSC Group due to the benefits as set out in **Section 3** of this Announcement. The effects of the Proposed Acquisition on the future earnings and/or EPS of the enlarged MSC Group would depend on, among others, market and industry conditions, actual tin resources within RHT Land and ABSB Land, operating costs associated with the exploration and mining.

6.4 Convertible securities

As at the LPD, MSC does not have any existing convertible securities.

7. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of shareholders of the Company or any other regulatory authorities.

The Proposed Acquisition is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

8. PERCENTAGE RATIO

Pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities, the highest percentage ratio applicable to the Proposed Acquisition is approximately 23.88%, based on Purchase Consideration, compared with the audited consolidated NA of the Company as at 31 December 2021.

9. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

As at the LPD, none of the directors, major shareholders of MSC and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

10. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Acquisition, including but not limited to the basis and justifications for the Purchase Consideration, rationale and benefits of the Proposed Acquisition, effects of the Proposed Acquisition, prospects of the enlarged MSC Group and the risks involved, is of the opinion that the Proposed Acquisition is in the best interests of the Company.

11. ADVISER

Kenanga IB has been appointed as the adviser to the Company for the Proposed Acquisition.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by third quarter of 2022.

13. DOCUMENT AVAILABLE FOR INSPECTION

The following documents will be made available for inspection at the registered office of MSC at Lot 6, 8 & 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, during regular office hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this Announcement:

- (i) SPA;
- (ii) Shareholders Agreement;
- (iii) Technical Report; and
- (iv) RHT Valuation Report.

This Announcement is dated 3 June 2022.

1. CONSIDERATION

1.1 The Purchase Consideration shall be fully settled and satisfied by RHT via the allotment and issuance of the Consideration Shares at the completion of the Proposed Acquisition (“**Completion**”), which shall take place on a date falling:

- (i) 3 months from the date of the SPA; or
- (ii) 1 month from the date on which the last of the conditions precedent are fulfilled,

whichever is later, or such other date as may be agreed between the parties in writing (“**Completion Date**”).

1.2 The Consideration Shares shall be deemed fully paid-up and free of any interest or equity of any person (including any right to acquire, option or right of pre-emption) and any charge, mortgage, security interest, pledge, lien (including retention of title claims), assignment, power of sale or hypothecation or any other third party right or encumbrance of any nature whatsoever (whether or not perfected) together with all rights and advantages now and thereafter attaching thereto including the right to receive all dividends, distributions or any return of capital declared, paid or made.

1.3 The Consideration Shares shall, upon its allotment and issuance, rank equally in all respect with the then existing RHT Shares.

2. CONDITIONS PRECEDENT

Completion of the SPA is conditional upon satisfaction or waiver of the following conditions:

- (i) passing at a general meeting of RHT of a resolution authorising the Proposed Acquisition and for the allotment and issuance of the Consideration Shares in favour of TISB at Completion;
- (ii) RHT being satisfied with the results of the legal, operational, financial and tax due diligence, in respect of all matters on ABSB and ATSB;
- (iii) TISB being satisfied with the results of the legal due diligence, in respect of all matters on RHT; and
- (iv) other consents and approvals as may be required to complete the Proposed Acquisition having been obtained,

(collectively “**Conditions Precedent**”).

The Conditions Precedent shall be complied with and/or fulfilled within the period of 3 months from the date of the SPA, or such other period as the parties may from time to time agree.

3. COMPLETION

The Completion shall take place on the Completion Date following fulfilment or waiver in accordance with the SPA of the Conditions Precedent.

On the Completion Date, RHT and TISB shall procure that their respective completion obligations as set out in the SPA are fulfilled.

4. DEFAULT

4.1 In the event that TISB:

- (i) neglect or by willful default fail or refuse or be unable to complete the Proposed Acquisition after RHT has complied and fulfilled or is ready able and willing to comply and fulfil its obligations contained in the SPA within stipulated time periods; or
- (ii) materially breach any of the provisions of the SPA;

RHT shall be entitled:

- (i) to defer the Completion in accordance with the SPA;
- (ii) to seek a remedy of specific performance and/or damages against TISB; or
- (iii) to terminate the SPA by serving a written notice of termination onto TISB, whereupon:
 - (a) TISB shall pay to RHT, a sum amounting to RM200,000 as agreed liquidated damages within 21 days excluding Saturday, Sunday and public holidays (gazetted or ungazetted) and unscheduled holidays, on which banks and financial institutions are open for business in Kuala Lumpur ("**Business Days**") from TISB's receipt of RHT's written notice of termination; and
 - (b) thereafter, the SPA shall deem to be terminated and be of no further force and effect and neither party shall have any claims against the other save and except in respect of any antecedent breach.

4.2 In the event that RHT:

- (i) neglect or by wilful default fail or refuse or be unable to settle and satisfy the Purchase Consideration after TISB has complied and fulfilled or is ready able and willing to comply and fulfil its obligations contained in the SPA within stipulated time periods; or
- (ii) materially breach any of the provisions of the SPA;

TISB shall be entitled:

- (i) to defer the Completion in accordance with the SPA;
- (ii) to seek a remedy of specific performance and/or damages against RHT; or
- (iii) to terminate the SPA by serving a written notice of termination onto RHT, whereupon:
 - (a) RHT shall pay to TISB, a sum amounting to RM200,000 as agreed liquidated damages within 21 Business Days from RHT's receipt of the TISB's written notice of termination; and
 - (b) thereafter, the SPA shall deem to be terminated and be of no further force and effect and neither party shall have any claims against the other save and except in respect of any antecedent breach.

APPENDIX II – SALIENT TERMS OF SHAREHOLDERS AGREEMENT

1. TRANSFER OF SHARES

- 1.1 MSC and TISB (collectively, the “**Shareholders**”) shall not sell, transfer, assign, encumber, pledge or otherwise dispose of their RHT Shares or any interest attached thereto except in accordance with the provisions of the Shareholders Agreement and the constitution of RHT and until and unless the rights of pre-emption as provided in the Shareholders Agreement have been exhausted.
- 1.2 No Shareholder shall create or have any outstanding pledge, lien, charge or other encumbrances or security interest on or over any RHT Shares or any part of its interest in such RHT Shares (save for those in accordance with the provisions of the Shareholders Agreement and the constitution of RHT).
- 1.3 The price of RHT Shares to be transferred shall be the value as agreed between the Shareholders, which shall be based on the net tangible asset (“**NTA**”) value of RHT on or about the date when the determination notice was served.
- 1.4 Tag along

If a Shareholder (“**Selling Shareholder**”) intends to accept an offer from a third party (“**Proposed Acquiror**”) to purchase at least 60% of RHT Shares it owns (“**Outside Offer**”):

- (i) the Selling Shareholder shall give a written notice to the other members of RHT (“**Remaining Members**”); and
- (ii) the Proposed Acquiror shall make a binding and irrevocable written offer to the Remaining Members at the same price per share and on no less favourable terms than those in the Outside Offer (“**Tag Along Offer**”).

Within the stipulated timeframe, the Remaining Members shall have the option to:

- (i) accept and complete the Tag Along Offer alongside with the Outside Offer; or
- (ii) reject the Tag Along Offer whereby the Selling Shareholder shall be entitled to proceed with the Outside Offer.

1.5 Drag along

If a Selling Shareholders agrees to sell all the securities in RHT directly or indirectly held by it in connection with or resulting in a change of control. i.e. transfer of shares which is equal to 33% and more of the capital of RHT, the Selling Shareholders may require the Remaining Members to sell all the securities in RHT held by the Remaining Members at the same price, which shall be at least the price in accordance with Paragraph 1.3.

2. BOARD OF DIRECTORS

The management of RHT shall be vested in board of directors of RHT (“**RHT Board**”).

RHT Board shall consist of the following 5 persons :

- (i) 4 directors appointed / nominated by MSC; and
- (ii) 1 director to be appointed / nominated by TISB.

Each of the Shareholders is entitled to appoint 1 director for every block of shares amounting to 20% of the paid-up capital of RHT (and not a part thereof only) it holds, failing which such Shareholder shall procure its nominated directors to vacate their office, without compensation for loss of such office or any profit whatsoever (if relevant).

APPENDIX II – SALIENT TERMS OF SHAREHOLDERS AGREEMENT (*cont'd*)

Each of the Shareholders shall have the right to remove its nominee directors at any time from office of such director. Neither Shareholder may object to the appointment of director by the other Shareholder as their appointed or nominated directors provided that the nominated directors are eligible in law.

3. DEADLOCK

3.1 A deadlock shall be deemed to have occurred in the event of the following:

- (i) a matter relating to the affairs of RHT has been considered by RHT Board meeting;
- (ii) no resolution has been carried at such RHT Board meeting in relation to the matter by reason of any equality of votes for and against any proposal for dealing with it; and
- (iii) such matter is not resolved within 7 days from the date of such meeting.

3.2 In the event of deadlock, a representative of each Shareholder shall first meet and negotiate in good faith with each other and endeavour to resolve the deadlock.

3.3 If the Shareholders mutually agree that a matter cannot be resolved within the stipulated period:

- (i) MSC shall be entitled to acquire all RHT Shares held by TISB at a price to be determined by RHT's auditors based on the NTA value of RHT as at or about the date of the notice of acquisition ("**Deadlock Price**"); or
- (ii) TISB shall be entitled to sell to MSC all RHT Shares it holds at the Deadlock Price.

4. WORKING CAPITAL

The Shareholders shall use their best endeavors to ensure that RHT has sufficient working capital to establish, manage, and maintain the cost of its day to day operations.

In the event that additional working capital is required by RHT, such additional funding shall be obtained through the following methods:

- (i) firstly, through internally generated capital funds of RHT; and
- (ii) secondly, through borrowing and credit facilities from bank / financial institutions / third parties within and/or out of Malaysia.

In the event that RHT decides to raise additional funding by external borrowing, the Shareholder who holds more than 50% RHT Shares, shall assist RHT in obtaining such borrowing. Shareholders are not required to offer any guarantee, security, indemnity, warranty or undertaking as security for such external borrowing.

No director of RHT or any of the directors of the Shareholders shall be required to provide any personal guarantee to assist RHT in obtaining such external borrowing.

5. DURATION

Unless agreed in writing between MSC, TISB and RHT, the Shareholders Agreement shall continue in full force and effect until any of the following circumstances occurs:

- (i) RHT being dissolved or otherwise cease to exist as a separate entity;
- (ii) the Shareholders Agreement is terminated ("**Termination**"); or

- (iii) any circumstance that renders the performance of the Shareholders Agreement not possible.

6. TERMINATION

6.1 The Shareholders Agreement may be terminated by a Shareholder on the occurrence of any of the following events:

- (i) any of the Shareholders has breached a material term of the Shareholders Agreement and has failed to remedy the said breach within 30 days after written notice of the breach has been given to the defaulting Shareholder; or
- (ii) if a Shareholder, having become bankrupt or insolvent or having made an assignment for the benefit of its creditors or having filed a petition or having had a petition filed against it under any bankruptcy, corporate re-organisation or other law for the relief of debtors or having had commenced against its dissolution or winding-up proceedings.

6.2 The Shareholders Agreement may also be terminated at any time by mutual agreement of the Shareholders in writing. MSC shall have the option to purchase all RHT Shares owned by TISB at the price determined by RHT's auditor based on the NTA value of RHT as at the date of Termination. In the event MSC fails to purchase all RHT Shares held by TISB within 60 Business Days from the date of Termination, TISB may request for the liquidation of RHT.

6.3 In the event of default by MSC (bankruptcy or insolvency), TISB shall have the option to sell all RHT Shares it owns to MSC at the price determined by an independent auditor to be jointly appointed by MSC and TISB, or failing agreement by RHT's auditor based on the NTA value of RHT as at the date of Termination plus a premium of 10% of the said price.

6.4 In the event of default by TISB (bankruptcy or insolvency), MSC shall have the option to purchase all RHT Shares owned by TISB at the price determined by an independent auditor to be jointly appointed by MSC and TISB, or failing agreement by RHT's auditor based on the NTA value of RHT as at the date of Termination less a discount of 10% of the said price.

6.5 The Termination shall be without prejudice to any other remedies which a Shareholder may be entitled to, against the defaulting party or for any antecedent breach by the defaulting Shareholder. Nothing in the Shareholders Agreement shall relieve the defaulting Shareholder from its liability for damages incurred by the other Shareholder in connection with the Termination.

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1. VALUATION METHODOLOGY

In assessing the indicative value of RHT, PwC have adopted the income approach as the primary approach, specifically discounted cash flow (“**DCF**”) method as RHT is an income-generating business.

2. ASSUMPTIONS

The indicative range of valuation has been formed based on, among others, the following assumptions:

- (i) Tin price:
 - (a) Low case – PwC has considered the cyclicity of commodity prices and expects tin price to normalise at USD26,500 per tonne by 2025, thereafter increasing annually by inflation.
 - (b) High case – PwC has considered stronger tin prices of USD28,500 per tonne at 2025, thereafter increasing annually by inflation.
- (ii) RHT will continue mining operations until depletion of resources in 2032, PwC has determined the terminal value in consideration of the following:
 - (a) estimated net realisable value of the property, plant and equipment (adjusted book value); and
 - (b) realisation of net working capital at terminal year.
- (iii) Tin resources:
 - (a) RHT – 29,613 tonnes, which supports RHT’s operations until 2032; and
 - (b) SLT – 1,151 tonnes, which supports SLT’s operations until 2026.
- (iv) Discount rate of 13% which is the weighted average cost of capital of RHT.

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APPENDIX IV - INFORMATION ON RHT

1. HISTORY AND BUSINESS

RHT was incorporated in Malaysia on 30 May 1907 under The Companies Ordinance, 1889 as a private limited company and it commenced its business on 30 May 1907.

RHT is principally involved in tin mining.

2. SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDER

As at the LPD, the issued share capital of RHT is RM1,088,999 comprising 1,088,999 RHT Shares.

As at the LPD, RHT is a wholly-owned subsidiary of the Company.

3. DIRECTORS

As at the LPD, the directors of RHT and their respective direct and indirect shareholdings in RHT are as follows:

<u>Directors</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of RHT Shares</u>	<u>%</u>	<u>No. of RHT Shares</u>	<u>%</u>
Chew Gek Khim	-	-	-	-
John Mathew A/L Mathai	-	-	-	-
Dato' Dr. (Ir.) Yong Mian Thong	-	-	-	-
Madzlan Bin Zam	-	-	-	-

4. ORIGINAL COSTS AND DATES OF INVESTMENTS BY THE COMPANY

The details of the dates and original cost of investment made by the Company in RHT are as follows:

<u>Date of investment</u>	<u>Number of RHT Shares</u>	<u>Cost of investment RM</u>
23 November 2004	97,232,142	15,325,829

5. SUBSIDIARIES AND ASSOCIATES

Saved as disclosed below, RHT does not have any other subsidiary and/or associated company as at the LPD:

<u>Name</u>	<u>Effective equity interest %</u>	<u>Principal activities</u>
SLT	80	Tin mining

6. FINANCIAL SUMMARY

The summary of key financial information of RHT based on its audited financial statements for the past 3 financial year ended (“**FYE**”) 31 December 2019 to 2021 are set out below:

	Audited FYE 31 December		
	2019	2020	2021
	RM	RM	RM
Revenue	165,651,590	160,424,523	302,462,984
Profit after tax (“ PAT ”)	66,673,984	20,863,383	109,514,435
Shareholders’ funds / NA	53,779,513	38,852,625	148,502,497
Borrowings	-	-	-

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APPENDIX V - INFORMATION ON ABSB

1. HISTORY AND BUSINESS

ABSB was incorporated in Malaysia on 21 April 1994 under the Companies Act 1965 (which was subsequently repealed and replaced with the Act) as a private limited company and it commenced its business on 24 December 2010.

ABSB is principally engaged in the business of mining and prospecting related activities. As at the LPD, ABSB is dormant.

2. SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDER

As at the LPD, the issued share capital of ABSB is RM250,000 comprising 250,000 ABSB Shares.

As at the LPD, ABSB is a wholly-owned subsidiary of TISB.

3. DIRECTORS

As at the LPD, the directors of ABSB and their respective direct and indirect shareholdings in ABSB are as follows:

<u>Directors</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of ABSB Shares</u>	<u>%</u>	<u>No. of ABSB Shares</u>	<u>%</u>
Dato' Azlan Zulkifli Alymann	-	-	-	-
Dato' Mohd Daud Bin Samsuddin	-	-	-	-

4. SUBSIDIARIES AND ASSOCIATES

Saved as disclosed below, ABSB does not have any other subsidiary and/or associated company as at the LPD:

<u>Name</u>	<u>Effective equity interest %</u>	<u>Principal activities</u>
ATSB	100%	Ceased operations since 2017

5. FINANCIAL SUMMARY

The summary of key financial information of ABSB based on its audited financial statements for the past 3 FYEs 31 December 2018 to 2020 are set out below:

	<u>Audited FYE 31 December</u>		
	<u>2018 RM</u>	<u>2019 RM</u>	<u>2020 RM</u>
Revenue	-	-	-
PAT	(84,037)	(13,429)	1,388,617
Shareholders' funds / NA	(1,221,780)	(1,235,209)	153,408
Borrowings	-	-	-

APPENDIX VI - SALIENT FEATURES OF THE TECHNICAL REPORT

1. INFERRED⁽¹⁾ TIN RESOURCES

1.1 The inferred tin resources for RHT Additional Resources are as set out below:

Ore volume m³	Grade KgSn/m³	Contained tin (Sn) tonnes
2,500,000	1.49	2,690

1.2 The inferred tin resources for ABSB Resources on the prospective area within ABSB Land immediately east of RHT's mine pit, are as set out below:

Estimates	Ore volume m³	Grade KgSn/m³	Contained tin (Sn) tonnes
Upper estimate	805,000	2.00	1,200
Lower estimate	541,000	2.00	800
Median estimate	625,100	1.99	894

Note:

- (1) An "Inferred Mineral Resource" refers to a mineral resource whereby the quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling, but where geological evidence is sufficient to imply but not verify geological and grade continuity. This category has the lowest level of confidence, pursuant to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

2. MONETARY VALUE

2.1 The monetary value⁽¹⁾ for the inferred RHT Additional Resources is set out below:

	Estimation⁽²⁾ RM'million
Before costs	276
After allowance for mining costs, but no allowance for profit	184

2.2 The monetary value⁽¹⁾ for the inferred ABSB Resources is set out below:

	High estimation⁽²⁾ RM'million	Low estimation⁽²⁾ RM'million	Median estimation⁽²⁾ RM'million
Before costs	123	82	92
After allowance for mining costs, but no allowance for profit	82	55	61

Notes:

- (1) The monetary value in the Technical Report is not a valuation of the property under the Valmin Code (2015) and should be read only as an indicator of the value of the tin metal within the inferred resource. The VALMIN Code stands for the Australasian Code for Public Reporting of technical assessments and valuations of mineral assets. It sets out requirements for the technical assessment and valuation of mineral assets and securities for independent expert reports, it provides guidance for petroleum assets and securities.

- (2) Based on the following assumptions:

- (i) tin price of USD25,000 per tonne; and
- (ii) foreign exchange rate of USD1.00 to RM4.10.