Malaysia Smelting Corporation Berhad

MEDIA RELEASE

MSC reported a net profit of RM33.5 million in FY19 driven by tin mining segment

- *Full smelting operations at new smelter in Pulau Indah to commence in the near term*
- *Gearing improved to 0.7 times as at 31 December 2019*
- *Proposed dividend of 2 sen per share*

Kuala Lumpur and Singapore, 20 February 2020 – Tin miner and metal producer, Malaysia Smelting Corporation Berhad ("MSC" or "the Group") has today announced its fourth quarter ("4QFY19") and full year financial results today for the financial period ended 31 December 2019 ("FY19").

For the year under review, the Group recorded a net profit of RM33.5 million, as compared to RM34.3 million in the previous year ("FY18"). This was mainly driven by stronger earnings posted by the Group's tin mining segment, offset by the softer performance in the tin smelting division.

The tin mining segment's net profit more than doubled to RM67.5 million in FY19, against RM25.3 million in FY18. The improved performance is mainly attributable to a one-off provision writeback of RM48.4 million for tribute payments no longer required which was recorded in 3QFY19.

Meanwhile, the Group's tin smelting business reported a net loss of RM31.0 million in FY19 as it was impacted by the lower tin prices and soft global tin demand, which resulted in an inventory writedown of RM31.1 million. According to the Kuala Lumpur Tin Market ("KLTM"), tin prices in 2019 averaged 7% lower at USD18,616/tonne, as compared to USD20,067/tonne in FY18. The provision for a Voluntary Separation Scheme ("VSS") of RM15.0

million in respect of the internal restructuring exercise at the Butterworth smelter in FY19, further contributed to the lower performance.

FY19 Group revenue amounted to RM983.6 million due to lower demand of refined tin in and less favourable tin prices during the year.

MSC has proposed a first and final single-tier dividend of 2 sen per share, representing a dividend payout of 24% of FY19 net profit. This dividend is subject to shareholders' approval at the Group's forthcoming Annual General Meeting.

Commenting on the Group's results, Dato' Dr. Patrick Yong (杨满堂), Group Chief Executive Officer of MSC said, "We remain focused on building a strong foundation at MSC as we foresee the challenging business environment will prevail going into 2020. The tin industry outlook is expected to remain soft as prolonged global trade tensions continue to affect global tin demand, leading to a build-up in tin inventories and lower tin prices."

"At the same time, the recent outbreak of the Novel Coronavirus ("COVID-19") may further disrupt the global supply chain in the first half of 2020. We expect demand for tin solder to be adversely impacted, with China, the world's largest manufacturing and electronic hub, being the most affected by COVID-19."

"Despite the challenging market conditions, we continue to carry out our strategic initiatives to enhance the Group's competitiveness and facilitate long-term growth."

"We are looking forward to the commissioning of the new Pulau Indah smelting facility, which is expected to commence full operations in the near term. The Pulau Indah smelter boasts a more advanced smelting technology using the more efficient ISASMELT furnace, leading to higher extractive yields while bringing down the Group's operational and manpower costs. At the moment, we are operating two smelting plants in parallel with only the Butterworth facility generating revenue. Moving forward, we anticipate our financial performance will gradually improve as we phase out production at Butterworth."

"As for our tin mining operations, we continue our endeavours to increase our overall mining productivity at the Rahman Hydraulic Tin mine in Klian Intan, Perak, in addition to exploring new tin deposits. Our tin mining activities at Sungai Lembing, Pahang are also expected to start contributing in the near term. In addition to our ongoing efforts above, we are also looking at potential joint ventures to enhance our mining activities."

For the quarter under review, MSC reported a net loss of RM13.2 million, as compared to RM15.6 million net profit in the previous year's corresponding quarter ("4QFY18"). This is primarily due to poorer performance in the tin smelting division, which was impacted by an inventory writedown of RM13.8 million and the provision for VSS of RM15.0 million, in addition to lower profit from sale of by-products and less favourable average tin prices during the quarter. According to KLTM, tin prices in 4QFY19 averaged USD16,690/tonne, against USD19,130/tonne in 4QFY18. Group revenue amounted to RM182.7 million in 4QFY19.

As at 31 December 2019, total bank borrowings decreased 9% to RM266.2 million, from RM293.0 million as at 31 December 2018, due to the repayment of borrowings. The Group's gearing ratio improved to 0.7 times as at 31 December 2019.

ABOUT MALAYSIA SMELTING CORPORATION BERHAD

The MSC Group is currently one of the world's leading integrated producers of tin metal and tin based products and a global leader in custom tin smelting since 1887. MSC which is a subsidiary of The Straits Trading Company Limited of Singapore is listed both on the Main Market of Bursa Malaysia and the Main Board of Singapore Exchange.

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Released on behalf of Malaysia Smelting Corporation Berhad by Capital Front Investor Relations.

For media enquiries, kindly contact:

Name: Keow Mei-Lynn

Email: meilynn@capitalfront.biz

Tel: 012-250 5575