



MEDIA RELEASE

MSC 3QFY18 net profit rose 52% YoY to RM11.7 million

- *Stronger performance from tin smelting and mining segments*
 - *Gearing improved to 1.1 times as at 30 September 2018*
- *Revaluation exercise led to 14% increase in net assets to RM332.6 million*

Kuala Lumpur, 14 November 2018 – Tin miner and metal producer, Malaysia Smelting Corporation Berhad (“MSC” or “the Group”) has today announced its financial results for the third quarter ended 30 September 2018 (“3QFY18”).

For the quarter under review, MSC’s net profit grew 52% year-on-year (“YoY”) to RM11.7 million, as both tin smelting and tin mining divisions posted stronger earnings during the quarter.

The Group’s tin smelting business achieved a turnaround with a net profit of RM4.7 million in 3QFY18 from a net loss of RM218,000 in the previous year’s corresponding quarter (“3QFY17”), boosted by certain one-off income, such as reversal of impairment losses, gain on disposal of joint venture, lead sales and higher other income.

Meanwhile, tin mining operations at the Rahman Hydraulic Tin Sdn. Bhd. (“RHT”) mine saw increased production output and sales volume, as it reported a 13% YoY growth in net profit to RM7.2 million in 3QFY18.

Group revenue stood lower at RM309.4 million as compared to RM403.2 million in 3QFY17, due to slower sales of refined tin and less favourable tin prices in 3QFY18. According to the Kuala Lumpur Tin Market (“KLTM”), tin

prices in 3QFY18 averaged USD19,297/tonne, 6% lower against USD20,448/tonne in 3QFY17.

Commenting on the Group's 3QFY18 results, Dato' Dr. Patrick Yong (杨满堂), Chief Executive Officer of MSC said, "We remain focused on building the underlying fundamentals of the Group to better position ourselves in withstanding headwinds and capturing opportunities anticipated in the horizon. We expect the business environment to remain challenging in the next two years as we undertake efforts to improve on all areas of operations, technology, manpower and logistics. Nonetheless, this will further strengthen our financial position and enhance long-term shareholders' value going forward."

For the cumulative nine months period ended 30 September 2018 ("9MFY18"), MSC reported a net profit of RM18.7 million against RM29.3 million in previous year's corresponding period ("9MFY17"), attributable to higher operating expenses and production cost. Earnings were also impacted by the appreciation of the Malaysian Ringgit against the USD, which offset higher tin prices in USD terms. According to KLTM, average tin prices were marginally higher at USD20,380/tonne in 9MFY18 from USD20,128/tonne in 9MFY17. Meanwhile, Group revenue stood at RM993.2 million in 9MFY18.

As at 30 September 2018, MSC's total borrowings reduced by 17% to RM377.0 million from RM452.8 million as at 31 December 2017 due to repayment of short-term trade financing. As a result, gearing improved to 1.1 times from 1.6 times as at 31 December 2017.

MSC is in the midst of relocating its smelting operations from Butterworth, Penang to the new smelter in Pulau Indah, Port Klang, as part of its rationalization measures. Currently, the Group is operating both smelting facilities with small-scale testing and refinery works already started in early 2018 at the Pulau Indah plant.

“For the next two years, we anticipate our financial performance will continue to be impacted by the running of two smelting plants in parallel, with only one generating revenue. Upon full commissioning of the Pulau Indah smelter expected to be by 2020, we will be able to show positive results in terms of higher recovery yields, improved operational efficiencies and lower manpower costs, with the technology upgrade using the ISASMELT furnace,” Dato’ Dr. Patrick Yong added further.

During the quarter, MSC conducted a revaluation exercise on the Group’s lands located in Butterworth, Penang (“Butterworth lands”) and arising from that, recorded a net revaluation gain of RM30.5 million. The revaluation of the Butterworth lands were performed following the Memorandum of Understanding (“MoU”) entered between MSC’s wholly-owned subsidiary, MSC Properties Sdn. Bhd. and MSC’s parent company, The Straits Trading Company Limited (“Straits Trading”) in September 2018, to jointly explore options to unlock the value of the Butterworth lands by either developing or selling the lands. The full migration of tin smelting activities to the new Pulau Indah plant expected to be by 2020, will free up the land where the Group’s Butterworth tin smelting plant is located, spanning 13.9 acres.

As such, the Butterworth lands have been reclassified to Land Held for Development from Property, Plant and Equipment, and the related Revaluation Reserves to Retained Earnings. This has resulted in an increase in net assets of 14% to RM332.6 million as at 30 September 2018, from RM291.0 million as at 31 December 2017.

Dato' Dr. Patrick Yong added, "As for our tin mining operations, we aim to increase our mining productivity at the existing leases, in addition to exploring new deposits in order to ensure continuity of tin ore. We have increased our daily tin mining output from mid-July 2018, which has contributed to increased production costs in the mining segment."

In September 2018, RHT had entered into a MoU with Menteri Besar Incorporated (Perak) to lease two parcels of land measuring approximately 100 acres and 323 acres, which are located adjacent to the southern boundary of RHT's existing mining leases in Klian Intan, Perak. In the immediate term, RHT will utilise these lands for dumping overburden, tailings and slime arising from ongoing tin mining activities. This will free up areas within MSC's existing mining leases, thus enabling RHT to enhance its mining productivity and waste management efforts.

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.

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